

## 1.3 EXECUTIVE SUMMARY

### 1.3.1 INTRODUCTION

The total budget for the 2019/2020 year is R 50.6 billion which has been developed with an overall planning framework and includes programmes and projects to achieve the city's strategic objectives. This budget was set against the backdrop of slow economic growth confronted by difficult economic and fiscal choices over the medium term to achieve the development outcomes for the city. Economic challenges will continue to pressurise municipal revenue generation and collections in 2019/20, hence a conservative approach has been adopted when projecting expected revenues and receipts. Despite increasingly challenging circumstances, service delivery will continue to be sustained through this budget by reprioritising expenditure to ensure key objectives are achieved. Provisions in this medium term budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure. This budget has been developed to contribute to the municipality achieving the strategic objectives of the IDP. The 2019/2020 MTREF is informed by the municipality's long-term financial strategy with emphasis on affordability and long-term sustainability. National Treasury's MFMA Circular No's.93 & 94 were used to guide the compilation of the 2019/20 MTREF. In addition, this budget format and content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following budgeting PRINCIPLES were applied in formulating the medium term budget:

- Realistic and achievable collection rates.
- Sustainable, affordable, realistic and balanced budget.
- Major tariffs to be cost reflective, realistic and affordable.
- Budget to contribute to achieving strategic objectives of the IDP.
- Loans to be sustainable and affordable and utilised for capital projects only.
- Balancing capital expenditure for social, economic, rehabilitation and support.
- Need to ensure rates base growth to ensure sustainability of free basic services.
- Holistic: account for basket of goods & services provided, that are needs driven into the IDP.
- Income/ revenue driven budget: affordability i.e. if funds do not materialise, review expenditure.

*Whilst this is a balanced & fully funded budget, it must be appreciated that major cuts in expenditure had to be made. However, base line budgets were not impacted. Accordingly, service delivery has not been compromised. A maximum 5% increase was allowed for on all items of expenditure except salaries & allowances which had to be increased by 7.5%, comprising a 7% increase approved by the Central Bargaining Council and 0.5% increase for notch increases. Close monitoring of the operating expenditure and income will be undertaken to ensure sustainability. However, austerity measures need to be further considered to ensure affordability of services to consumers and ratepayers. Improved productivity and value for money needs to be driven by management.*

### 1.3.2 OVERVIEW OF THE 2019/20 MTREF

#### OPERATING BUDGET

The operating budget, which funds the continued provision of services provided by the municipality, increases from R 38.7 billion in 2018/19 to R 42.8 billion in 2019/20, R 46.9 billion in 2020/21 and R 51.0 billion in 2021/2022 respectively.

The growth of the operating budget is mainly due to:

- Repairs and maintenance of infrastructure
- Cost of addressing service delivery backlogs
- Cost of bulk purchases - water and electricity
- Impact of capital spending on operating expenditure
- Employee related costs as a result of providing for critical vacancies and salary increases

The following are the Main Drivers of the 2019/20 Operating Budget of R 42.7 billion.

- **Water Services: R 7.8 billion**

|                           |         |         |
|---------------------------|---------|---------|
| ○ Bulk Water Purchases    | R 2 380 | million |
| ○ Free Basic Water        | R 726   | million |
| ○ Repairs and Maintenance | R 455   | million |
| ○ Interest on Loans       | R 287   | million |
| ○ Staff Expenditure       | R 772   | million |
| ○ Depreciation            | R 269   | million |

Water services are provided to approximately 946 000 consumers via 363 storage facilities, 133 pumps stations and 6 purification works. The maintenance of these facilities and the reticulation network is vital to ensure that the system is capacitated to deliver at acceptable standards. The capacity to provide the service effectively and efficiently is a critical component in the delivery of sustainable basic services, for the improvement of a healthy living environment and in the support of economic development. Due to the increase in demand, projects to increase the capacity of the bulk water supply in certain areas will continue. Cities must provide access to reliable, safe water. As part of their obligation to deliver basic services, cities must maximise the availability of water resources, which requires careful management, capital expenditure on infrastructure for extracting, treating and conveying water to the ultimate user, and technical capacity to ensure the infrastructure remains in good working condition.

- **Cleansing and Solid Waste: R 1.9 billion**

|                               |       |         |
|-------------------------------|-------|---------|
| ○ Community based contractors | R 441 | million |
| ○ Staff Expenditure           | R 666 | million |
| ○ Refuse Bags                 | R 106 | million |
| ○ Repairs & Maintenance       | R 56  | million |
| ○ Depreciation                | R 46  | million |

A once a week refuse removal service is provided to over one million households, both formal and informal. Approximately 103 m refuse bags are distributed and over 1.4m tons of refuse is removed annually, creating a healthy and sustainable environment for all. The units' services also include the transportation of domestic, commercial and industrial waste, the management of landfill sites, street cleaning and litter removal services. The unit engages community based contractors as well as major contractors to provide domestic refuse collection and litter picking in their contracted areas. The CSW's network of business and operations includes 32 operational centres, 7 Transfer Stations, 4 Landfill Sites, 22 Recycling Centres, 3 Landfill Gas Projects and 2 Leachate Plants. These assets enable CSW to provide a full range of services to residential, industrial and commercial customers. All major streets are cleaned on a daily basis with the CBD area swept thrice daily. High pressure washing of streets and pavements takes place at night particularly in all hot spot areas within the city.

Waste management services are under pressure from rapid urbanisation, population growth, unsustainable consumption patterns and rigid traditional waste-management practices. Cities have little choice but to adopt better waste-management practices because of the increasing environmental pollution and diminishing landfill airspace, as well as the high cost of developing new landfill sites.

- **Sanitation: R 2.1 billion**

|                         |               |
|-------------------------|---------------|
| ○ Repairs & Maintenance | R 362 million |
| ○ Free Basic Sanitation | R 112 million |
| ○ Ablution Facilities   | R 272 million |
| ○ Staff Expenditure     | R 519 million |
| ○ Depreciation          | R 308 million |

The service relates to the collection and treatment of waste water produced in the city. Approximately 468 000 KL of effluent flows into the treatment works daily. A vast infrastructure network of sewer pipeline, pump stations and waste water treatment works are operated and maintained to achieve this. The municipality also provides services to the rural areas via environmentally friendly and innovative ways of sanitation disposal, while developing community ablution facilities within informal settlements.

- **Electricity Service: R 15.6 billion**

|                           |                  |
|---------------------------|------------------|
| ○ Bulk Purchases          | R 10 271 million |
| ○ Repairs and maintenance | R 1 162 million  |
| ○ Staff Expenditure       | R 1 452 million  |
| ○ Depreciation            | R 388 million    |

eThekweni electricity supplies in excess of 780 000 customers within the city and surrounding areas. The aim of the unit is to provide electricity, public lighting and other energy services to all sectors of the community and provide energy solutions that promote business growth and enhanced economic stimulation. The electrical network which includes 145 major substations is progressively expanded to cater for growth and new connections. The electrification of rural and informal settlement's programme will continue with new prepaid customer connections. A strategy is also being developed on meter replacement using both smart and prepaid meters.

- **Engineering Services: R 2.4 billion**

|                              |               |
|------------------------------|---------------|
| ○ Repairs & Maintenance      | R 752 million |
| ○ Staff Expenditure          | R 849 million |
| ○ Depreciation               | R 567 million |
| ○ Hire of Plant and Vehicles | R 107 million |

The unit provides engineering, building and built environmental infrastructure, surveying and land information services. This includes the maintenance of the tarred and gravel municipal road network and sidewalks, the storm-water systems of pipes, open drains and canals as well as the design and construction of road & bridge infrastructure. The unit also assists with building maintenance services.

- **Community and Emergency Services: R 4.5**

|                                  |                 |
|----------------------------------|-----------------|
| ○ Staff Expenditure              | R 2 759 million |
| ○ Repairs & Maintenance          | R 128 million   |
| ○ External Security & VIP Guards | R 213 million   |
| ○ Verge Maintenance              | R 110 million   |
| ○ Depreciation                   | R 247 million   |

The Cluster provides Health, Agro- Ecology, Parks, Recreation & Culture, MMS as well as Safety and Security services. These entail operation and maintenance of a range of facilities which include 336 soccer fields, 163 community halls, 141 parks, 57 cemeteries, 96 libraries, 16 museums and 52 swimming pools. The unit also maintains 260 000 ha of verges in the municipal area. The health department provides integrated primary health care services to communities via its 60 clinics, 41 health posts and mobile clinics. The disaster management and emergency control unit provides emergency services and CCTV crime surveillance via 350 CCTV cameras across the municipal area. In addition, the Fire and Emergency Services unit operates and maintains 20 fire stations. The Security Management Unit manages the external security contract to safe guard council's assets. The Safer Cities Unit ensures that every citizen within the municipality is safe, and shares a common understanding on community safety. The CES cluster include the ring-fenced Unit for Stadia which incorporated Moses Mabhida Stadium and other 5 stadia. All stadia combined host an average of 90 bowl events per annum ranging from football, concerts, festivals and other events.

#### **METRO POLICE: ADDITIONAL STAFF**

With the establishment of the EThekweni Metro Police in 2000, Council resolved that by 2010 it would be staffed with 5 000 members. Currently there are 2 529 members in the unit, thus by Council resolution a shortfall of 2 471, despite the continued rise in demand for policing in the municipal area. The EThekweni region has grown phenomenally, both in housing infrastructure and various other developments as well as becoming a major tourism and conferencing destination, despite the risk caused by the shortage of resources that impact on effective policing.

During 2017/18 the unit was given authority to employ a total of 800 members over two financial years, 400 during the 2017/18 financial year and another 400 in 2018/19. The department is finalising the recruitment of 400 members who will be sent for training during this financial year with provision for the recruitment of another 400 posts (HR to create 300 more posts to add on to the 500 that have been created already) to follow thereafter. The effective deployment of resources with positive outputs cannot be achieved without the proper supervision and management of staff and resources. One of the challenges that the department has been facing over the years is the shortage of supervisors due to unfunded posts. To rectify this, the department has since requested funding for 60 critical positions which will result in Metro Police being able to appoint supervisors and managers.

In an effort to better utilize the scholar patrols who are regarded as temporary employees, the department has embarked on a program to convert these temporary employee's to permanent employees. Once this process is completed, the department will train them for crime prevention, bylaw enforcement and some traffic enforcement, hence strengthening the support service received from their deployment.

One of the challenges faced by the department is the non-availability of the Electronic Enforcement of speed and traffic lights infringements due to the legal challenges surrounding the current contract. This has resulted in low revenue collection for the unit. Notwithstanding the challenges faced with the lack of electronic enforcement, the efforts of increasing the staff compliment and better staff deployment with effective supervision and management will assist the unit in its efforts to conduct its core functions of crime prevention, bylaw enforcement and traffic regulation with reduced overtime compared to the current situation. A revised shift system needs to be implemented urgently to improve working conditions of staff and also reduce overtime.

#### **LAND INVASION: SECURITY**

EThekweni Municipality has noted a sharp increase in the number of illegal land invasions and will do everything in its power to prevent the mushrooming of new informal settlements, within the ambits of the law. There are approximately 450 informal areas throughout EThekweni Municipality where land invasion control functions have to be performed daily.

The Anti-Land Invasion Department has embarked in a robust strategic process that will ensure a multi-disciplinary approach toward Land Invasion within the municipal area. This includes developing and implementing a comprehensive land protection strategy with all relevant stakeholders. This process includes capacitating the Anti-Land Invasion Department by bringing in more personnel and specialised outsourced services to compliment the department to respond to incidents of land invasion and apply preventative measures. The unit is in a process of procuring a service provider for land invasion. A provision of R 10 m has been made in the 2019/2020 budget.

- Other

|  |         |         |
|--|---------|---------|
| ○ ETA: Transport Unit                    | R 1 403 | million |
| ○ Metro Police Services                  | R 1 563 | million |
| ○ Information Technology                 | R 463   | million |
| ○ Events                                 | R 132   | million |
| ○ Tourism Marketing                      | R 40    | million |
| ○ Economic Development Sector Programmes | R 36    | million |
| ○ Poverty Alleviation: Soup Kitchens     | R 82    | million |
| ○ Neighbourhood Development              | R 48    | million |

## JOB CREATION, SKILLS , POVERTY ALLEVIATION & YOUTH DEVELOPMENT

EThekweni Municipality is determined to improve the lives of all its residents, especially those that are underprivileged. Through township renewal projects, the city has succeeded in bringing economic opportunities and job creation closer to the people.

### The Zibambele Programme

The Zibambele Programme, which draws on the most destitute citizens in the city, has become an integral part of the Roads Department's operations. The creation of work opportunities on eThekweni Municipalities' road network to maintain the general condition of the network and also help to break the poverty cycle of the eThekweni Municipality's most needy inhabitants. There are at present over 6 500 beneficiaries deployed and managed by the municipality. The programme assists economically vulnerable people on an on-going basis, thus allowing them to plan their future regarding food, clothing and education. Normal construction projects have a limited life span and are unable to offer this level of support and sustainability. To date, the eThekweni Zibambele programme has been a huge success. By augmenting its internal capacity with community-based structures, eThekweni Municipality has been able to gain an operational advantage and also help achieve one of the key objectives of its transformation plan, which is to enable more citizens to enjoy an improved quality of life, now and in the future.

The following job creation & skills development initiatives are undertaken by the municipality in support of governments call to address unemployment & create job opportunities:

- 1 500 caretakers employed at ablution facilities with a further 70 to be employed as further ablution facilities are completed.
- Use of 1 483 plumbing contractors on a rotational basis to undertake water related services.
- 17 major contractors employing about 1 800 people for refuse removal services
- 10 graduate engineers employed under the Water mentorship program
- 140 community based contractors utilized in the roll out of rural water and sanitation projects
- 1 600 people employed by DSW utilizing the EPWP grant
- EPWP Grant (R 78.7m), maximum payable is R 100 per day of which R 50 is subsidized by National Treasury. Target to create 25 855 work opportunities.
- Zibambele Poverty Alleviation (R 101 m) - over 6 500 jobs created.
- Sihlanvimvelo stream cleaning (R 39.7m) - over 500 jobs created.

## Sihlanzimvelu programme

The Sihlanzimvelu programme is a co-ordinated approach between various departments in dealing with the condition of 300km of the worst streams that impact on communities and the environment in the Umlazi and INK areas. Maintenance of the streams are undertaken by co-operatives. The main purpose of the programme is to ensure that all watercourses in the eThekweni Municipality are brought to an appropriate standard and are maintained at that standard. This will safeguard communities from hazards found in watercourses and enrich the natural environment of eThekweni. The programme currently employs approximately 500 persons that are predominantly resident in the areas being serviced. C40 and GIZ have been assisting the city with this project and are further assisting in developing a business case for the increased roll out to a further 1 500 km - 2 000 km.

## FOOD AID PROGRAM (SOUP KITCHENS)

In order to assist the municipality in its food aid program and maximize this service, the engagement of faith based organizations and NGO'S to adopt soup kitchens are to be investigated and where considered necessary a grant in aid will be provided. A provision of R 87.7 m has been made to increase the number of soup kitchens from 74 currently to 92. The main aim is to have 1 soup kitchen per ward. A total of 668 Volunteers are currently running the soup kitchens on a daily basis and 162 will be added. About 450 beneficiaries are served in each soup kitchen site.

## AGRI - PARK

To ignite growth and create employment, Council approved the establishment of the Radical Agriculture Socio - Economic Transformation programme. The objectives of the programme is to incubate start-up and growth entrepreneurs operating in the sustainable food value chain. The incubator will be based at the Clairwood Fresh Produce Market. A capital budget provision of R 9m, and an operating budget of R 6.8m has been made for the Agri-park in the 2019/20 year. The National Development Plan estimates that agriculture could potentially create 1 million jobs by 2030.

### Objective of the Agri-Park

- Facilitate investment in the eThekweni Food value chain of -
  - 30 % Produce of eThekweni Food consumption estimated at R 3.22 billion per annum
  - Implement enterprise investment of R 3.88 Billion over 5 years
  - Create 19,925 jobs over 5 years
- Incubate 500 start up and existing sustainable food value chain businesses in 2 years
- Incubate farmers, SMMEs, Cooperatives entrepreneurial and survivalists
- Secure food supply contracts from the Departments of Social Development, Health and Education to the value of R 2.2 billion per annum
- Secure food supply contracts from other Government Departments and Private Sector

## AGRO ECOLOGY

- Community Gardens - existing 426
- Community Rural Ponds - 12
- Fruit trees - average of 12 trees per garden
- All Gardens Supported with organic fertilizer and compost.
- Provision of fencing, storage containers, toilets and water provision infrastructure
- All Community Gardens supported with Tools, Seeds and Training
- Total Agricultural Operational Budget of R 31.3m
- Total Agricultural Capital Budget of R 19,8m

## YOUTH DEVELOPMENT

The municipality believes in empowering youth to ensure they contribute to the economic growth and development of the city. The Mayor's office runs a number of programmes specifically targeted at empowering young people in the city. The Youth Office runs various programmes and works with other departments to drive youth development. The Youth Office also plays an advisory role to guide departments about what the city is doing to promote the development of youth. Youth development is a priority as youth are the majority in eThekweni being about 60 percent of the population.

There are a number of initiatives across the municipality that are specifically targeting youth development. In some instances, it is specific areas of scarce skills, in other instances it is general up-skilling initiatives. Investment's in Youth Development initiatives for the 2019/20 year in respect of trainee / graduate trainee and bursary / loan student programmes amount to R 6.2 m. In addition there is provision of R 19.5 m in respect of other youth development initiatives.

### ETHEKWINI MUNICIPAL ACADEMY

In 2015 Council resolved to establish an Academy to integrate all training budget, programmes and facilities. The main objective was to integrate and centralise all training and development interventions into a single centre of coordination and accountability. A high level feasibility study has been conducted and recommended that the Academy should be an entity of the municipality. The Academy has learning and development programmes targeting internal employees, councillors, community members, government officials, officials from other municipalities and international delegates. Programmes include skills programmes, academic qualifications, short courses, technical skills programmes, seminars, master classes, workshops, on the job training, learnerships, internships, bursaries, international exchanges, technical support, etc.

Achievements include:

- Work experience training to 1 118 students.
- Apprenticeships - 801 ( 601 actively engaged + further 200 approved & still to commence ).
- Skills Programmes - 1 077 learners (3 programmes in plenary phase to benefit 295 people)
- Learnerships - 371 learners (3 programmes not yet started to benefit 350 people)
- Bursaries awarded to 120 students
- Financial relief to 138 to date
- Participated in 31 Career Expos and 30 Life Orientation educators trained
- Participated in 28 Masakhane and Community Blitz

## TARIFFS

The proposed tariff increases for the medium term are as follows:

| SERVICE          | 2019/2020 | 2020/2021 | 2021/2022 |
|------------------|-----------|-----------|-----------|
| Assessment Rates | 6.9 %     | 6.9 %     | 6.9 %     |
| Water            |           |           |           |
| -Residential     | 15.0 %    | 15.0 %    | 15.0 %    |
| -Business        | 15.5 %    | 15.5 %    | 15.5 %    |
| Electricity      | 13.07 %   | 12.0 %    | 7.5 %     |
| Sanitation       | 9.9 %     | 9.9 %     | 9.9 %     |
| Refuse           | 9.9 %     | 9.9 %     | 9.9 %     |

The above increases in tariffs reflect an appropriate balance between the interest of poor households, other customers while ensuring the financial sustainability of the municipality.

The following are general contributory factors for the increase in levels of rates and service charges:

- The cost of bulk purchases.
- Cost of the social package to indigents.
- Provision for the filling of critical vacancies.
- Salary increase with effect from 1 July 2019.
- The impact of capital spend on the operating budget.
- Increased maintenance of network and infrastructure.
- Rollout of infrastructure and the provision of basic services.

The cost pressures of the water and electricity bulk purchases tariffs continue to grow faster than the inflation rate. Given that these tariff increases are determined by the external bodies, the impacts they have on the municipality's tariff are largely outside the control of the city. Furthermore, the adverse impacts of the current economic climate coupled with unfavourable external pressures on services, make tariff increases higher than the CPI levels inevitable.

## CAPITAL BUDGET

Capital expenditure is budgeted to rise to R 7.9 bn in 2019/20 and thereafter to R 8.0 bn in 2020/21. A provision of R 7.6 bn has been made for the 2021/22 financial year. R 17.1 billion (approximately 73 %) is allocated to meeting infrastructure and household services needs and backlogs over the medium term. R 3.7 billion of this is directed to new housing developments and interim servicing of informal settlements. The capital budget continues to reflect consistent efforts to address backlogs in basic services and the renewal of the infrastructure of existing network services.

Major Capital Programmes in the Medium-Term Capital Budget:

| PROJECT / ITEM   | R' m    |
|--|---------|
| Low cost Housing and Infrastructure                            | 3 709.1 |
| EThekweni Transport Authority (Including PTIS)                 | 3 753.6 |
| Electricity Infrastructure                                     | 2 665.8 |
| Addressing Community Service Backlogs                          | 1 370.8 |
| Water Loss Intervention Programme & replacement of water pipes | 392.5   |
| Roads Rehabilitation and Reconstruction, and New Access roads  | 1 949.4 |
| Wastewater Treatment Works: Upgrades/Expansion                 | 153.2   |
| Northern Aqueduct - Water                                      | 350.0   |
| Western Aqueduct - Water                                       | 30.1    |
| Ablution Blocks-Upgrade: Informal Settlements                  | 729.2   |
| Zonal Planning   | 1 023.0 |
| Inner City Regeneration and Warwick Development                | 88.5    |
| Town Centre Renewals - Nodal developments                      | 278.0   |

### 1.3.3 STRATEGIC PRIORITIES FOR THE 2019/2020 YEAR

The municipality has identified the following priority areas to be addressed during the 2019/20 financial year.

- Water challenges
- Human settlements;
- Economic development
- Financial sustainability;
- Access to public transport
- Service delivery backlogs
- Climate change mitigation
- Human capital development;
- Energy challenges;
- Health of society;
- Safer city
- Food security;
- Sustainable spatial form;
- Rural development;
- Infrastructure degradation;
- Undermining natural capital;

### 1.3.4 KEY ISSUES & CHALLENGES

#### KEY ISSUES

#### UNACCOUNTED FOR WATER (LOSS IN DISTRIBUTION)

Water loss management is an on-going project aimed at reducing the real water losses in the municipal area. Despite the numerous interventions, the water loss in distribution continues to be a serious challenge. The primary objective of the NRW reduction activities is to reduce the NRW levels from 33 % at present to a targeted and sustained value of 25 % by June 2020. The estimated water losses were due mainly to illegal connections and vandalism as well as the aging infrastructure. In order to address the water losses, "early warning" leak detection monitors will be rolled out on the municipality's bulk water trunk mains. The challenge faced in reducing water losses are compounded by the mushrooming of informal settlements, some of which are illegally connected to the water supply.

To redress this, various strategies are in place including:

- the leak detection and repair strategy
- The installation of pressure reducing valves
- The installation of bulk meters to informal settlements
- the regularization and registration of water connections
- The installation of consumer water meters in rural areas
- Upgrading of Industrial, commercial and institutional meters

The Water and Sanitation Unit is involved in the National "War-on-Leaks" Programme that aims to repair leaks within low cost housing projects and former R 293 Townships to assist indigent homeowners in reducing their water consumption and wastage. The programme also aims to assist with the reduction of the non-revenue water loss.

The Municipality's Conservation and Water Demand Management Plan seeks to reduce the water loss to 20% in the next ten years. New targets by loss type for non-Revenue Water, per the plan are as follows:

- Losses from bursts, leaks, high pressure and reservoirs are currently at 30%. The target is 25% in the next five years and 17% in the next 10 years.
- Apparent losses which include inaccurate meters and illegal connections, the current loss is 10%. The target is 5% in the next five years and 3% by 2027.
- For authorized unbilled consumption which includes unmetered rural areas, unmetered informal houses, RDP developments, firefighting and tanker services, the target is 5% in the next five years and 3% in the next 10 years, an improvement from the current loss of 10%.

#### ACTION STATUS ON SOME PROJECTS TO ADDRESS THE WATER LOSS INCLUDES:

- Pipe replacement which is ongoing. The approach will be reviewed based on performance, criticality, vulnerability and network analysis,
- Leak detection and reservoir refurbishment will commence.
- Efforts are underway in quick response to bursts and leaks. This will be intensified and resourced and a first level rapid response team will be created
- Education and awareness campaigns, while ongoing, will be refocused and intensified.
- The installation of smart meters, valve control training and resizing of meters is still to commence while the replacement of aged meters is to be intensified under the programme,
- The metering of informal settlements will be fast-tracked and a programme will commence soon while the metering of rural properties will also be intensified.

#### UNFUNDED MANDATES AND FUNDING REALITIES

Certain non-core functions and services which in terms of the constitution fall under the responsibility of National or Provincial Authorities are being provided by the municipality. These functions include the provision of Health Services, Libraries, Museums, and Housing. The reduction or non - payment of subsidies for these services require the municipality to allocate its own resources to make up the shortfall. The provision of housing is dependent on budget allocations by the Provincial and National governments and the actual funding received does not make it possible for the municipality to reduce the ever increasing housing backlog. These unfunded/ underfunded mandates pose an institutional and financial risk to the municipality as substantial amounts of own funding is being allocated to non-core functions at the expense of basic service delivery. Although much has been done to address the development challenges of the city, meeting targets will continue to depend on financial support from Provincial and to a larger extent National Government. Despite additional grants received, the levels are still not sufficient to meet unfunded mandates. Given adequate levels of funding, the city could meet the huge challenges it still faces.

The costs of unfunded mandates for 2019/20 are as follows:

|   | <u>R'm</u> |
|---|------------|
| Libraries                                     | 369.1      |
| Health - Other than municipal health services | 367.2      |
| Museums                                       | 90.0       |
| Housing: New Development and Hostels          | 462.6      |
| Formal Housing                                | 31.0       |
|   | <hr/>      |
|   | 1 319.9    |
|   | <hr/>      |

## CLIMATE CHANGE / SUSTAINABILITY

Climate change poses a significant threat to South Africa's water resources, food security, health, infrastructure and ecosystem services and biodiversity. Climate change will also bring with it prolonged periods of drought and low humidity - leading to an increased risk of fire. Startling new research finds a major build-up of heat in the oceans, suggesting that global warming is happening at a faster rate than anticipated. When planning for the next decade or two, measures to cope with the more extreme weather trends are of special importance with regard to the provision of municipal services.

### ADDRESSING CLIMATE CHANGE

Being a coastal city with 97 km of high- developed coastline, Durban is particularly vulnerable to sea level rise. The areas particularly vulnerable to sea rise are coastal wetland and dune ecosystems. Climate change is likely to cause a number of challenges for eThekweni Municipality, linked to global impacts such as increased temperatures, extreme weather events (e.g flooding and drought) and rainfall variability. It is anticipated that climate change will have a significant impact on the weather variability and agricultural production within KZN which will in turn impact on the most vulnerable rural communities. The remedies are to be sought in effective conservation measures, responsiveness to climate changes with regard to choice of agricultural production techniques and products in planning/implementing judicious water management practices and in preparedness for extreme weather conditions.

Climate change and rapid urbanization are resulting in significant probabilities of flood risk to residents of eThekweni Municipality. The risk to infrastructure and civilians will be catastrophic without a proper early warning system in place. The Coastal Stormwater and Catchment Management Department is setting up a Forecast Early Warning System (FEWS) linking hydraulic models, rainfall data and warning system in order to mitigate flooding and similar disasters. This system has the potential to prevent loss of life and safeguard key infrastructure during flooding events. The hydraulic models have been calibrated and have reached an active forecasting stage with continuous improvements to be undertaken to maintain the accuracy of forecasts.

The financial effects of climate change can be just as devastating as the physical ones. Unexpected disaster management costs relating to storms, flooding, unusually huge waves, erosion, fires, and droughts can impact significantly on the City's budget. Climate change runs the risk of undoing all of the development gains of the last two and a half decades, and for a city such as Durban, climate change adaption in all sectors has become one of the Municipality's top development priorities. These business risks forms the economic rationale for going green.

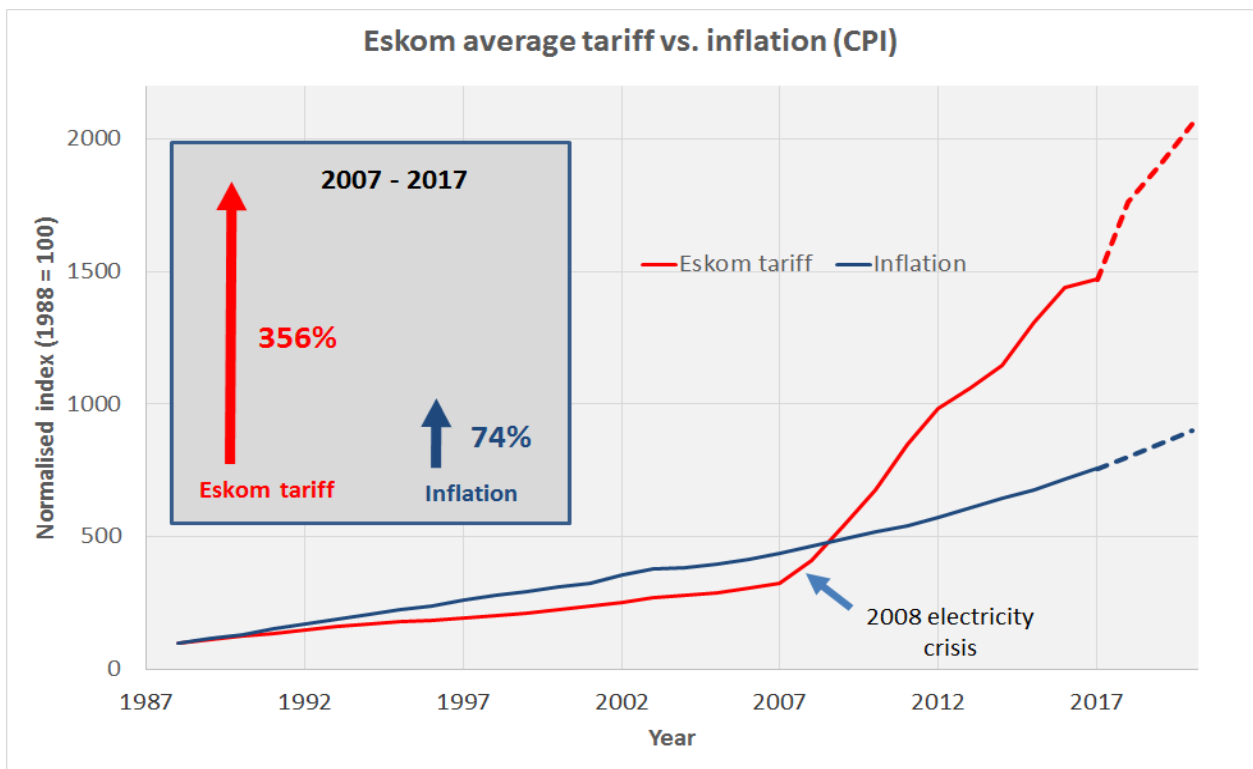
Cities are the most vulnerable to the severe impact of climate change, and consequently, play a critical role in implementing international agendas such as the Paris Agreement. The Durban Climate Change Strategy ( DCCS ) is the tool by which climate change is addressed in eThekweni Municipality. The integration of mitigation and adaptation in this strategy which includes a property tax incentive is viewed as a global lead. Political oversight is provided by the Municipal Climate Change Committee chaired by the Mayor and administrative oversight via the Disaster Management Advisory Forum's DCCS Technical Task Team. During 2017, the City secured technical expertise assistance through the C40 Climate Leadership Group to start the process of developing implementation plans for the ten themes of the DCCS.

### IMPACT OF BULK TARIFF INCREASES

The bulk tariff increases for electricity and water have in general been well above inflation. Whilst municipalities have absorbed some of these increases, this is not sustainable.

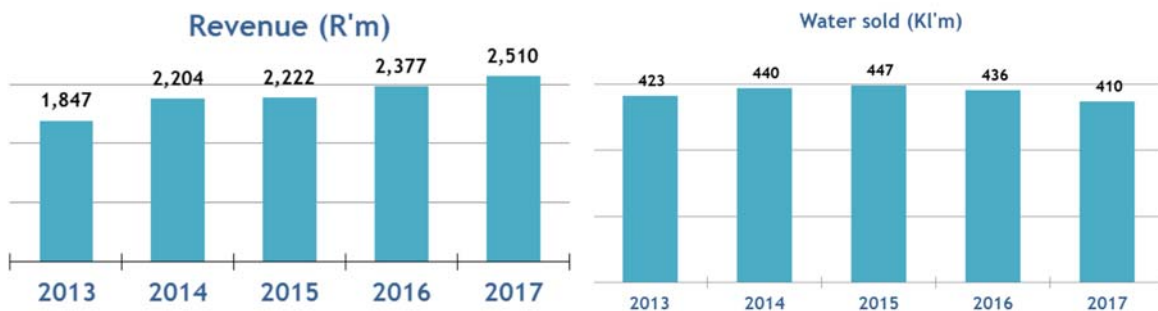
#### Bulk Electricity

Electricity prices in South Africa have dramatically outpaced inflation over the past decade (ever since the 2008 electricity supply shortage crisis).



Above is the Eskom tariffs from 1988 to 2017, plotted against CPI (Consumer Price Index) or inflation over the same period. Over a period of 10 years, Eskom's electricity prices have increased by about 356%, whilst inflation over the same period was 74%. This means that electricity prices have increased 4 times faster than inflation over this period. The higher prices for electricity put a squeeze on the affordability of the municipal basket of goods and services. NERSA is required to ensure that Eskom's electricity tariff increases are below CPI

#### Bulk Water Tariff



The above shows that revenue went up 6% from 2016 to 2017 but sales volumes went down by 5.9% for the period. This is due to a tariff increase of 13%. Average CPI for 2017 was 5.19%. A national regulator for water is also needed to approve tariff increases for water boards. Much more detailed guidelines for the setting of bulk water prices need to be developed.

Consumers are also finding the tariff increases unaffordable, especially in the current economic climate, which is impacting on collection rates. This in turn is impacting on the liquidity and cash flow of municipalities. As the cost of water and electricity has increased, sales have decreased. It has impacted on water and electricity sales as more consumers are moving off the grid and using alternate sources of water and electricity. The higher the electricity and water price, the more viable alternatives become. There have also been water restrictions during droughts. There is a strong correlation between GDP growth and electricity sales. This downward trend in sales is concerning and funding models need to be reviewed. In addition, we need to improve value-for-money and productivity to ensure that we are providing best value to our customers. Line departments are in the process of improving the monitoring of all resources.

The subsidy from the KZN Department of Transport is fixed on an annual basis in accordance with the DORA allocation. Any changes in the monthly subsidy above the KZN DOT portion impacts on the city's budget. The escalation formula (which takes into account changes in fuel prices, labour rates, etc.) to determine the subsidy rate per kilometre directly impacts on the city's contribution as a result of provinces subsidy being fixed.

Due to various issues between the operator and the city, mainly the spiraling debt (R 345m as at end January 2019) due to the city as a result of non-payment of bus lease charges, a settlement agreement was entered by and between the operator and the city. In terms of the settlement agreement matters raised by the operator are to be tabled to the appointed adjudicator. The adjudication process is to commence in May 2019. The non-payment has a negative impact on the cash-flow of the city.

### IPTN -

Operational costs - in terms of the Public Transport Network Grant guidelines, costs are grouped into direct and indirect costs. The intention is to get the fare revenue to fund the direct costs, however the transport authorities recover on average only between 30% to 50% of direct operating costs from direct passenger revenues from existing BRT systems. Indirect costs can be funded by the grant on the following basis: -

70% in year one, 70% in year two and 50% from year three onwards. As the operations commence, there will be ongoing refinement in the service plan to ensure that costs are minimized and revenue is enhanced.

In addition to municipal rates to fund the shortfall in operating costs over the short to medium term, alternative revenue streams, example land value capture, advertising revenue, parking meter fees, congestion charges, development charges, etc. are required to fund the operational costs as passenger revenues increase. Currently the city funds in the region of 4% of rates towards public transport, with the introduction of IPTN additional city funding will be required. As per the draft financial model, based on an operational service plan to respond to passenger demand, additional rates contributions in the region of 3% to 4% are required to fund shortfalls for phase 1.

*This is clearly not sustainable and unaffordable. Accordingly, the operating model needs to be critically reviewed.*

### THEFT OF ELECTRICITY

The nature of the distribution network leaves it vulnerable to theft by would-be criminal elements of society. Infrastructure theft is rampant across the city and has far reaching consequences for the municipality as well as communities. The theft of infrastructure is an ongoing challenge that plagues the unit on a daily basis. The ramifications which range from streetlight outages to wide-scale electricity outages to communities across the region. These incidences of theft not only hurt the municipality financially, but also translate to health hazards to nearby customers. Incidences of live wires left cut and unattended as well as small to large scale outages are just a few of the ramifications experienced as a result of infrastructure theft. Normal outages caused by apparatus failure and equipment age are inevitable when operating a distribution grid, however the scourge of infrastructure theft increases the problem many times over. The municipality is trying by all means possible to curb this negative phenomenon as consequential loss continues to increase.

Theft of electricity and infrastructure has led to devastating and tragic consequence such as loss of life as well as damage to infrastructure. Over the past few years the municipality is faced with a challenge of illegal connections, especially in informal settlements. Legitimate customers also experience continuous outages due to overloaded circuits. Illegal connections are costing the municipality about R 150 million annually. Huge efforts are expended in curbing theft, however, the trend is exacerbated by electricity prices and a weakened economy.

To mitigate this trend, regular sweeps, disconnections and removal of tampered installations are carried out. Furthermore, the massive electrification of informal settlements is expected to reduce the potential of illegal connections and have a positive impact on the number of theft incidents of electrical cables. The issue is a challenge and the municipality is making great effort to electrify informal settlements across the city, in order to curb the number of illegal connections. In addition, Governments amendment to the Act regarding infrastructure theft is greatly welcomed.

## HOUSING / HOSTELS

Increasing urbanization due to a growing number of people moving into the municipal area for better opportunities as well as land invasions is creating a challenge for the municipality and which increases the housing backlog. Availability of well-located land for public housing remains a serious challenge especially because the sustainability of settlements depends strongly on their location and accessibility. Well-located land is generally expensive and subject to competition from other uses. Often, settlements are established on unsuitable land, making it costly to service and construct homes.

The municipality is dependent on the budget provision by National and Provincial departments to deliver houses. The limited budget allocation to the municipality has hindered the delivery of all housing programmes. The current housing subsidy quantum does not cover the total cost of a house due to adverse geological and topographical conditions. As a strategy to deal with these, negotiations with contractors, consultants and suppliers have been instated in an endeavour to align construction with the subsidy quantum. The municipality will lobby the Provincial and National Human Settlements department for increased funding and budget allocation.

*The increasing deficits arising from hostels is a major cause for concern. This function was initially taken on as an agency basis. Collection rates have been low being currently at 4.94 % and requires urgent intervention.*

## SALARIES AND ALLOWANCES

In order to ensure effective utilisation of available budgetary provisions and contain personnel costs, this expenditure is continually being reviewed and the filling of all vacancies currently has a rigid process of authorisation prior to the recruitment process. A rationalisation of all vacant posts will be undertaken with greater scrutiny by the management services unit. Productivity assessments are on-going to ensure that all staff are accounted for, are effectively engaged and are adding value.

## KEY CHALLENGES

Key Challenges are as follows:

- ageing infrastructure,
- major increase in costs iro overtime, security and EPWP tariffs,
- the service delivery backlog,
- increasing hostels deficits
- implementation of the IRPTN programme as well as the current Transnat operator costs.
- undertaking the human settlement function on behalf of the province,
- high water and electricity bulk tariff increases from Umgeni Water Board and Eskom,
- increasing the spend on economic development to address unemployment, poverty and inequality and
- affordability and sustainability of increasing the rollout of free basic services due to rapid urban migration.

The Municipality has prioritised these issues and strategic plans have been included in the Integrated Development Plan to address these challenges.

### 1.3.5 PERFORMANCE, ACHIEVEMENTS AND CHALLENGES

#### 1.3.5.1 SERVICE DELIVERY

Despite large populations, the city has made major gains in the provision of basic services. Key outputs delivered show significant progress in the eradication of household backlogs by the city. The municipality has pledged to support the Provincial Governments Back to Basics programmes aimed at rekindling the spirit of service delivery in the province's municipalities.

The municipality has received an unqualified audit report for the 2017/18 financial year and has performed remarkably well in a challenging year. EThekweni Municipality has performed well over the past financial year, reinforcing the fact that the city is one of the best run metros in the country. National Treasury has confirmed that the city's budget is the best in the country. The Municipality continues to be in a strong financial position underpinned mainly by good cash collection and cost coverage rate, growth in revenue, moderate gearing and strong liquidity. The Municipality managed to improve its investment grade credit rating from AA to AA+ in the long term and maintained its short term credit rating of A1+ with a stable outlook. Despite the introduction of fiscal austerity measures, the City has remained resilient and still rates among the best-run and financially strongest local government in Africa. The municipality's service delivery programmes to drastically improve the lives of residents through various interventions are making a visible impact.

As a testament to the municipality's continuous bid to promote and provide service delivery, the municipality has received the following awards:

- Premiers Service Excellence Awards
  - Bronze Award: One Number Project
  - Silver Award: Forecast Early Warning System
  - Bronze award: Best Batho Pele Team of the year
  - Certificate of commendation: Ethekeeni Municipality TV Project
  - Discretionary Award: ICC for its contribution to the KZN economy.
- World Wide Fund (WWF)
  - Winner: 2018 one Planet City Challenge – African category.
- Kamoso Awards
  - Best maintenance project: Infrastructure sector
  - Best Metropolitan Municipality: Implementation of the EPWP
- Arbor City Award
  - Greenest Municipality Award
- Govan Mbeki Awards: Service Delivery
  - Best Community Residential Unit
  - Best Informal Settlement Upgrade
  - Winner & Runner-up : Best Social Housing Project
  - Best Integrated Residential Development Project- Cornubia
  - Most Beautiful, Clean and Enhanced Neighbourhood Project
  - Runner-up: Best Project in Finance Linked Individual Subsidy Category

- Standard Bank Top Business Awards
  - Top Business Partnership Award: Invest Durban
  - Winner: KwaZulu-Natal Top Brand 2018-Ushaka Marine World
  
- World Travel Awards: 2018
  - Africa's Leading Cruise Port
  - Africa's Leading City Destination
  - Africa's Leading Meetings and Conference Destination
  - Africa's Leading Meetings and Conference Centre: ICC
  
- Eco-Logistic Awards
  - Gold Award: Biodiversity Category
  
- South African Society for Co-operative Education Awards
  - City's dedication to promoting Work Integrated Learning (WIL)
  
- British Airways Must-See Destinations
  - Placed Top of the 19 must - see destinations for 2019
  
- Municipal Excellence Awards
  - Best Implemented Integrated Development Plan (IDP)
  - Remaining amongst the Top IDP Achievers in the Province

#### **1.3.5.2 SERVICE DELIVERY STANDARDS, LEVELS OF SERVICES, OUTCOMES, TIMETABLE FOR ACHIEVEMENTS AND FINANCIAL IMPLICATIONS**

The Municipality continued its roll out of infrastructure in terms of service delivery by ensuring specific strategies are put in place to deal with the existing backlogs. The municipality has been a front runner of accelerated delivery for many years and continues to put significant resources and effort into infrastructure delivery in order to eradicate existing backlogs. Notwithstanding the cities continued efforts in terms of service delivery, there is still a growing backlog due to rapid urban migration that has seen sustained population influx into the municipal area. Limited funding and exponential growth in the municipality has also increased the level of backlogs. As part of its infrastructure planning, the municipality has documented the nature and extent of backlogs in service delivery across the metropolitan area.

The provision of acceptable basic services is a critical element in the national developmental agenda. Water, electricity, sanitation, waste removal and social amenities are key critical services which have been identified by communities that are required to meet their basic needs. Limited funding and exponential growth in the Municipality has increased the levels of backlogs.

The following table is a summary of the backlogs of the municipality.

| Basic Service | Existing Backlog (households) |
|---------------|-------------------------------|
| Housing       | 379 291                       |
| Water         | 29 307                        |
| Sanitation    | 130 872                       |
| Electricity   | 224 139                       |
| Roads         | 1 053 ( km's )                |

The Municipality is making great strides in the massive roll-out of the incremental services programme which aims to improve the lives of residents in informal settlements. The incremental services programme provides services and infrastructure to informal settlements that are not on the Municipality's Human Settlements Unit's five year Formal upgrade programme. The programme aims to promote social equity and social inclusion with the provision of basic engineering services being the first step towards upgrading areas which the municipality has plans to develop in future.

The city is fast tracking housing delivery through the Cornubia mixed use human settlements project which will directly improve the shortage of housing in eThekweni. When completed, Cornubia is expected to deliver a total of 28 000 units and house approximately 120 000 people. The Informal Settlement Programme is the major focus of eThekweni Housing with the principle intention to upgrade informal settlements wherever possible and to only relocate residents if upgrading is impossible for health, safety or technical reasons. Development of the land assembly pipeline plan and acquisition of land, positions the municipality for continued and accelerated service delivery in the years to come. As part of the city's key intervention and acceleration plan to address the housing backlog, more land is to be acquired for housing development. The acceleration of ablution facilities for informal settlements has also been prioritised.

To ensure that every eThekweni resident has access to electricity, the City has a massive electrification roll-out plan in place for electricity connections in informal settlements, low-cost houses, transit camps and households in rural areas. While it is the intention of the municipality to provide electricity for every household, there are areas which are not suitable for electrification. A standard has been developed by Electricity Department to safely electrify informal settlements. Due to the rapid pace of informal urbanisation, there is a large population within the city that are without basic utility services. The Municipality is making great strides in the electrification of informal settlements with informal households earmarked for electrification this year. Electricity in informal settlements is installed through the Integrated National Electrification Programme (INEP).

The municipality is committed to ensuring that backlogs in the provision of infrastructure are removed and as such has embarked on a Municipal Infrastructure Investment Framework. Emphasis is given to the eradication of rural basic service backlogs especially water and sanitation. The municipality is moving forward to ensure all residents have access to clean running water and sanitation facilities. Inroads are being made with the rollout of the city's ablution programme which includes the delivery of mobile sanitation containers into informal settlements. In urban areas, the primary intervention is the eradication of informal settlements through the provision of housing and a package of household services as well as the provision of interim services to improve living conditions in the settlements. The Back to Basics programme mooted by National Government has been incorporated into the strategy to fast track service delivery.

### 1.3.6 FINANCIAL PERFORMANCE (2017/18 AND 2018/19): PARENT MUNICIPALITY

The city has done well over the last financial year and remains committed to accelerating service delivery and providing economic opportunities. The municipality continued its impressive track record in terms of service delivery with a capital spend of R 4.7 billion for 2017/18. EThekweni contributes significantly to the national fiscus, and the city has positioned itself to contribute to inclusive growth. The city has plans for the implementation of 25 catalytic projects. This is yet another demonstration of the commitment to transform the economic landscape of eThekweni. Despite the tough economic climate, the municipality remained in a strong and stable financial position in terms of its short and long term sustainability and viability.

In continuing the long trend of unqualified audit reports, the city has once again obtained an unqualified audit report for the 2017/18 year, demonstrating the strong financial management. The overall financial situation of the municipality is sound and healthy having reported a highly solvent balance sheet as at 2017/18 year end. Due mainly to robust solvency and a lowly geared balance sheet, the credit rating of the municipality has been maintained with positive outlook. The economic performance should be further strengthened through the implementation of catalytic projects.

*Over the past three years there has been a notable trend of costs exceeding revenue generation. This has had the effect of depleting internal reserves. The significant costs that have increased substantially and need to be effectively controlled are EPWP, security and overtime costs. The increased operating expenditure needs to be closely monitored and cost savings measures need to be implemented to ensure no further erosion of cash reserves.*

*The financial performance for 2017/2018 is recorded in greater detail in the municipality's Annual Report.*

The municipality's financial performance and position is sound mainly due to the following factors:

- Budgets are balanced, being financed from the current financial year's revenues from all sources.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position although this has reduced slightly over the past two financial years.
- Consistently revenue collection rates are being achieved.
- The municipality has maintained a favourable credit rating

#### 1.3.6.1 OPERATING BUDGET

In respect of the 2017/18 financial year, expenditure in the amount of R 32.9 billion was fully funded from the municipality's revenues and grants and subsidies from National and Provincial Government.

#### Operating Budget Performance (Current Year)

The financial performance for the six month period ending December 2018 is summarised in the table below:

| Summary Statement of Financial Performance (Parent Municipality) |                                     |                                 |                                 |                   |
|--|-------------------------------------|---------------------------------|---------------------------------|-------------------|
| Description  | 2018/19<br>Original Budget<br>R'000 | December<br>YTD Budget<br>R'000 | December<br>YTD Actual<br>R'000 | Forecast<br>R'000 |
| Total Revenue By Source<br>(Excluding Capital Transfers)         | (34 651 938 )                       | (18 467 647)                    | (18 270 493)                    | (35 155 302)      |
| Total Operating Expenditure                                      | 34 651 938                          | 15 487 180                      | 16 158 591                      | 35 155 302        |
| <b>(SURPLUS)/DEFICIT</b>   | <b>0</b>                            | <b>(2 980 467)</b>              | <b>(2 111 902)</b>              | <b>0</b>          |

*\*(Operating expenditure forecast and original budget is stated after contribution to reserves)*

## Operational Income Performance (2018/19)

### Income:

- Electricity Revenue is lower by R 786m mainly due to inclusion of energy efficiency interventions by consumers.
- Increase in Water Revenue of R 39m is mainly attributable to increased water sales due to the relaxation of water restrictions and the extension of water services.
- Interest on investments increase of R 129m is attributable to an increase on investments made.
- Increase in rental of Facilities & Equipment of R 106m due to increased demand for usage of facilities.

## Operational Expenditure Performance (2018/19)

The total expenditure to date is 46.6 % (2017: 46.8 %) of the total expenditure budget. Employee related cost is 32 % of the total operating costs. Repairs and Maintenance expressed as a percentage of Operating Expenditure is 7.7 %. Employee Related Costs is forecasted to decrease by approximately R 240m mainly due to time taken to fill vacant posts. Bulk Purchases decreased mainly due to a reduction in demand in electricity due to incorporation of energy efficiency measures by consumers.

### 1.3.6.2 CAPITAL BUDGET

The capital budget totalled R 7.4 billion in 2017/18. This was funded by National and Provincial grants in the amount of R 3.8 billion and R 2.6 billion being funded from Council's internal sources, with the balance of R 1 billion from external funding.

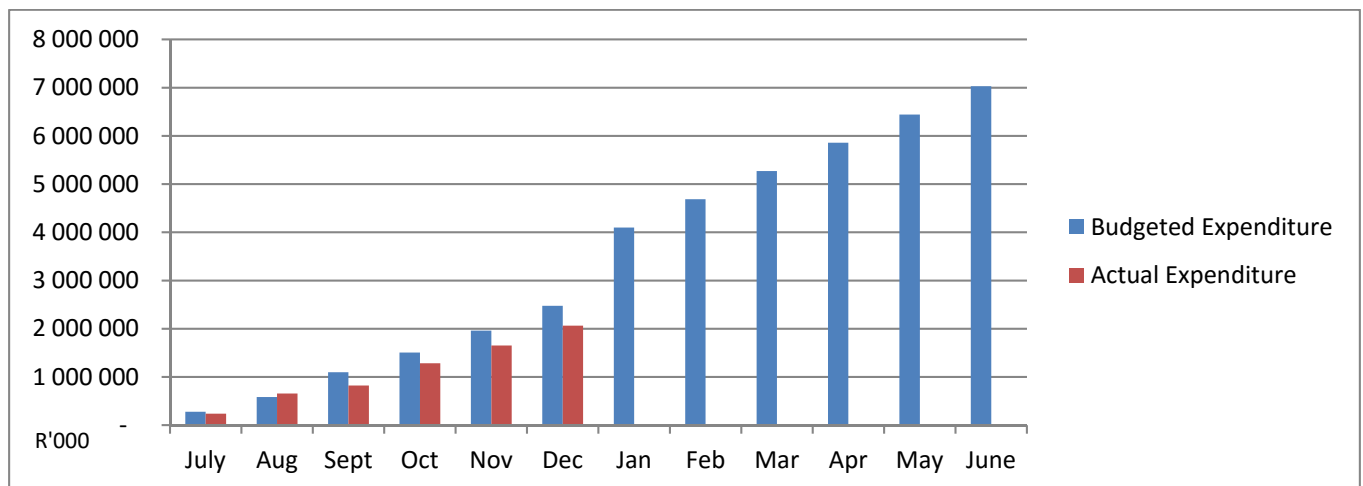
### Capital Budget Performance (Current Year): Parent Municipality

The capital performance for the six month period ending December 2018 is summarised in the table below.

| Summary Statement of Capital Expenditure : December 2018 |                            |                                 |                                 |                   |
|--|----------------------------|---------------------------------|---------------------------------|-------------------|
| Description  | 2018/19<br>Budget<br>R'000 | December<br>YTD Budget<br>R'000 | December<br>YTD Actual<br>R'000 | Forecast<br>R'000 |
| Total Capital Expenditure                                | 7 029 330                  | 2 474 996                       | 2 064 763                       | 6 392 605         |
| Total Capital Financing                                  | 7 029 330                  | 2 474 996                       | 2 064 763                       | 6 392 605         |

## Progressive Capital Budget vs. Actual

The following Chart compares the actual spend on capital against the total approved capital budget of the Parent municipality



In the sixth months of operations, 29.37% (December 2017: 28.34%) of the capital budget has been spent. However, as in the case of past years there would be an acceleration of spending in the ensuing months. Departments are forecasting a 90.91 % spend for the year.

### Conditional Grants

Approximately R 5.1 billion from all sources have been received to date which represents 55.5% of the amount budgeted for.

### 1.3.7 ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Constitution of South Africa recognises that the national, provincial and local government spheres cannot work independently of each other. It provides for co-operative governance and that all three spheres of government align their functions, responsibility, policies, strategies and programmes. This includes natural co-operation and support to facilitate the delivery of services, overall development and growth. In local government, as much as there is a specific mandate given to the municipality, we have to endeavour at all times to align our efforts with that of National and Provincial government to bring about a better life for all.

The municipality is confident that this budget is structured to give effect to the strategic priorities and to support long-term sustained growth and development, in line with National and Provincial objectives and with the key objectives identified in the National Development Plan. Local Government has a crucial role to play in the new growth path and the realisation of many of government's outcomes. All spheres of government place a high priority on transforming and expanding the economy, infrastructure development, job creation, efficient service delivery and poverty alleviation. Local priorities were identified which are mainly in line with the national and provincial priorities.

### LOCAL PRIORITIES

- Improving skills development to raise productivity
- Investing more in infrastructure to increase growth
- Transforming and growing the economy and job creation
- Accelerated and improved service delivery to communities
- Fighting poverty and building safe, secure and sustainable communities

### 1.3.8 FINANCIAL STRATEGY, ONGOING VIABILITY AND SUSTAINABILITY

The application of sound financial management principles for the compilation of the city's financial plan is essential and critical to ensure that the city remains financially viable and that sustainable municipal services are provided economically and equitably to all communities. In terms of its financial strategy, the municipality continues to display a robust financial profile characterised by strong cash generation and high liquidity levels. The municipality's strong financial position is proof of the sustainability and resilience of the municipality.

The vision of the city will be achieved by growing its economy and meeting people's needs so that all citizens enjoy a high quality of life with equal opportunities in a city that they are truly proud of. The needs of the community and the high levels of poverty and unemployment places excessive demands on the municipality's existing financial resources and threatens to constrain the organization financially if these resources are not properly managed.

#### 1.3.8.1 FINANCIAL STRATEGY

These challenges require the development and implementation of a financial strategy that will generate adequate cash resources, on a sustainable basis:

- To provide basic infrastructure and services to the community,
- To enable the Municipality to achieve its vision of a high quality of life for all citizens in the city,
- To create an environment for business growth and investments conducive to economic development, and
- To ensure financial sustainability of the municipality into the future.

Financial sustainability and viability remain the key principles in the financial planning process and, to ensure compliance with the Municipal Finance Management Act, a Financial Strategy for the municipality was developed and adopted by Council.

#### 1.3.8.2 BUILT ENVIRONMENT PERFORMANCE PLAN ( BEPPS )

The BEPP promotes integrated planning, budgeting and implementation and integrates the plans of key sectors (economic, transport , human settlements social and engineering infrastructure ). Its aim is to achieve long-term spatial transformation and inclusivity, facilitating economic growth and improved service delivery. The BEPP is the basis from which to confirm and elaborate corporate spatial priorities and to move towards co-ordinated budgeting and implementation of the spatial priorities. The BEPP is also the instrument to enable National Treasury to confirm very significant DORA allocations for numerous capital grants. Benefits of a BEPP include savings through higher utilisation levels, increased private sector investment, better public perception and residents receive a better product.

#### 1.3.8.3 FINANCE MANAGEMENT CAPACITY MATURITY MODEL (FMCMM)

Municipalities are required to implement and maintain effective and thorough financial management practices for the long-term sustainability and improvement in service delivery. The Finance Management Capacity Maturity Model (FMCMM) is an assessment tool developed by National Treasury to diagnose various components of financial management in municipalities for the purpose of improving service delivery, capacity, maturity and financial stability. The model includes 32 financial ratios which are designed to support municipalities in monitoring their financial management capability. This tool will also assist in identifying area of weakness with a view of improving the financial position and overall sustainability of municipalities.

### 1.3.9 MUNICIPAL ENTITIES

#### Inkosi Albert Luthuli International Convention Centre (ICC)

The Durban ICC Complex incorporates the Durban International Convention Centre, the Durban ICC Arena and the Durban Exhibition Centre, making it the largest flat floor column-free multi-purpose event space in Africa. The Durban International Convention Centre continues to excel in driving local economic growth, having contributed R 4.7 billion to South Africa's GDP in the past financial year. In addition, 9 000 much indeed jobs were created as a result of the centre's activities.

Despite a tough trading environment, the Durban ICC produced an outstanding year of financial results. In the last four years the ICC has contributed R 18.6 billion to the country's GDP and R 17.9 billion to the KZN GDP. The Durban ICC is ranked among the Top 17 convention centres in the world by the International Association of Congress Centres, and is currently the only centre in Africa to make this list. The ICC has remained profitable for the past seven consecutive financial years. Since its inception, the Durban ICC has operated as a catalyst for economic development.

The Durban ICC has done the city proud once again and was again voted Africa's leading Meeting and Conference Centre for the 17<sup>th</sup> time at the world Travel Awards. The centre also received a clean, unqualified audit from the Auditor-General of South Africa for the fourth consecutive year affirming the Centre's sound financial management and compliance with good governance and statutory requirements.

As a pioneer in attracting international events to the country, the centre's mandate is to be a catalyst for economic development and job creation in the city and province as well as to elevate the profile of Durban as a preferred destination. Current projects indicate that over the next three years, the total direct impact from meetings, incentives, conventions and exhibitions will be approximately R 1.1 billion. The Durban ICC remains committed to broadening the economic impacts of the events and tourism sector through contributing to inclusive economic growth.

#### Durban Marine Theme Park (uShaka Marine World)

Ushaka Marine World was opened 14 years ago to kick-start urban regeneration and boost development. The park has become a key attraction in Durban and has contributed to the growth of the Durban Point Waterfront Development and Inner City Development. This flagship project was developed with the aim of regenerating the Point Precinct and has become a major tourist destination for both the national and international visitors alike. Ushaka prides itself on offering a combination of entertainment and outdoor leisure activities that are suitable for all ages and are aimed at both the international and domestic tourism markets.

Despite a difficult 12 months during which several economic factors impacted negatively on household earnings, uShaka Marine World has provided a value for money tourism offering that has continued to put Durban on the map. uShaka has received its sixth clean audit from the Auditor General of South Africa. This track record of which management is justifiably proud, confirms that uShaka Marine World continues to set the highest standards when it comes to good financial reporting, good governance and accountability. It has created a number of jobs, economic opportunities and has opened up new learning enhancement for schools through the operations of the Sea World Education Centre. There has had a considerable "multiplier effect" in terms of factors such as attracting tourists to Durban and a rise in adjacent property values and related rates income for the city. During the 2017/18 financial year, footfall increased by 2% from the previous year and admissions increased by 3%, that impacted positively on some footfall driven revenue.

For a sustainable increase in footfall and revenue, capital investment in infrastructure projects, i.e. new attractions/offerings in the park need to be intensified. The industry requires continuous improvement in offerings and attractions to sustain the demand, especially in the current economic climate. Insufficient capital investment in the park over the past years has had a negative impact on the revenue.

The following specific strategic actions are being implemented:

- Development of an Infrastructure Master Plan for the park;
- Consideration of long term funding strategies to deliver on the plan.

Being a re-capitalization business model, uShaka Marine World is required to continually reinvest in new rides/attractions in order to maintain footfall. The success of the park to a large extent depends on the so-called “recap model” utilized within the theme park industry to ensure that aging assets are continually upgraded and that new and exciting attractions are introduced at periodic intervals. Accordingly, Ushaka Marine World is set to undergo a major facelift to turn it into the ultimate African theme park experience in the next 20 years. This would involve massive capital investments to drive up numbers and profitability. Existing assets would also be upgraded and new ones added through investments raised in the public and private sectors. The park's new business model also incorporates technology attractions, specifically edutainment and virtual reality experiences. Ushaka intends to form strategic partnerships with neighbouring entities within the precinct, including investors and retail partners. Ushaka has grown to become a key catalyst for the growth of other hospitality businesses in the precinct, contributing more than R 2 billion to the city's economy. It served as the impetus for the increase in property prices in the area and added 6 062 jobs to the eThekweni region, while also making possible the creation of 5 338 indirect jobs through suppliers and service providers to uShaka.

This exciting re-capitalization phase will see the introduction of major upgrades that will not only ensure the longevity of the park within its existing context but act as a drawcard as more and more residents and visitors are drawn to the evolving Point Waterfront Development. Ushaka Marine World has enabled the creation and growth of related hospitality businesses and contributed towards the overall growth of tourism in the City and Province.

*In compliance with the Municipal Finance Management Act, both the municipal entities have submitted their budgets and business plans for consideration by the Municipality.*

## **1.4 OPERATING REVENUE FRAMEWORK**

### **1.4.1 SOURCES OF FUNDING**

#### **REVENUE**

The City's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants and capital revenue which consists of capital grants, borrowings, cash reserves and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality. In addition to the obvious need to grow the city's revenue by increasing its tax base, other means for securing funding for council projects must be explored in a variety of ways. The city faces invidious choices in attempting to finance the projected levels of investment in infrastructure. Sources of capital finance are already stretched with limited scope for further borrowing, consumer pressure to restrict tariff and tax increases, and little likelihood of a structural upward adjustment in grant allocations.

The City has fully implemented its new billing system as an enabler to increase the collection potential. During the implementation several independent reviews on the system took place to give assurance on its functionality. Reports from the office of the Auditor General and the Internal Audit were received respectively and no material issues were found.

Collection of Revenue has become a very specialised field in Local Government with the main driver towards success of the review and update of the Credit Control and Debt Collection Policy/By-Law. The By-Law provides the authority for collections and the processes are currently under pressure due to the low growth in the economy and the increase in tariffs.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariff and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the city. In the case of eThekweni, a basket of differential tariff increases determines the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities and national legislation, regulations and policy guidelines.

Revenue generated from rates and services charges form a significant portion of the revenue basket for the city comprising 70.1 % of the total revenue. Electricity charges are the largest revenue source totalling 34.1 % or R 14.6- billion and are projected to increase to R 17.5 billion by 2021/22. Operating grants and transfers total R 6.4 billion in the 2019/20 year and increase to R 7.6 billion by 2021/22.

The sources of funding for the 2019/20 financial year are as follows:

| INCOME                             | R'm             | %            |
|------------------------------------|-----------------|--------------|
| Assessment Rates                   | 8 200.0         | 19.2         |
| Service Charges                    | 21 751.8        | 50.9         |
| Fines, Licences and permits        | 118.8           | 0.3          |
| Grant and Subsidies                | 6 417.2         | 15.0         |
| Rental of Facilities and Equipment | 1 002.7         | 2.3          |
| Interest on Investments            | 510.3           | 1.2          |
| Fuel Levy                          | 2 610.6         | 6.1          |
| Other Income                       | 2 160.8         | 5.0          |
| <b>TOTAL</b>                       | <b>42 772.2</b> | <b>100.0</b> |

70.1 % of the Operating Budget is funded from assessment rates and services charges (tariffs)

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The City's expenditure for the 2019/20 MTREF is informed by:

- Relevant (budget and other) legislative imperatives,
- Expenditure limits set by realistic and realizable revenue levels,
- Modelling of feasible and sustainable budgets over the medium term,
- Cognisance of international, national and local economic and fiscal conditions,
- The City's asset renewal strategy and its medium- to long term asset repairs and maintenance goals, and
- Operational gains and efficiencies directed to fund areas of strategic priority and known commitments.

MAJOR ITEMS OF OPERATING EXPENDITURE ARE:

| DETAILS                 | 2019/20<br>R'm | % OF TOTAL BUDGET |
|-------------------------|----------------|-------------------|
| Bulk Purchases          | 12 993.0       | 30.4              |
| Salaries and Allowances | 11 544.1       | 26.9              |
| Contracted Services     | 5 150.3        | 12.0              |
| Depreciation            | 2 700.7        | 6.3               |
| Interest on Loans       | 974.4          | 2.3               |

Bulk purchases are largely informed by the purchase of electricity and water from suppliers and take up 30.4 % of the operating budget. Given projected increases in the bulk prices of both electricity and water, expenditure on this item is likely to grow more rapidly. Expenditure on contracted services including repairs and maintenance amounts to R 5.1 billion for the 2019/20 year, representing 12.0 % of the total operating budget. This includes substantial spend on asset replacement and bringing assets to a good state of repair. The rehabilitation programme as part of the municipality's proactive maintenance ensures that assets are in good condition throughout their lifespan with periodic maintenance.

The municipality acknowledges its obligation to optimally preserve its extended asset base as under spending in maintenance can shorten the life of assets, increase long-term maintenance and refurbishment costs and cause deterioration in the reliability of services. In line with the approach of recent years, 2019/20 appropriations again provides for above CPI level increases for this cost component. Personnel costs account for a large component of operating expenditure, comprising 26.9 % of the operating budget. The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the City's budget. *Tables SA 22 AND SA23 provides further details of councillors and employee benefits.*

Budget appropriations for depreciation amount to R 2.7 billion, comprising 6.3 % of the operating budget. Finance charges consist primarily of the repayment of interest on long-term borrowings (cost of capital) and equates to 2.3 % of the operating expenditure.

*TABLE A4 provides a view of the budgeted financial performance in relation to revenue by source and expenditure by type. Further details of revenue and expenditure are explained in the sections that follow.*

## 1.6 CAPITAL EXPENDITURE

### 1.6.1 CAPITAL BUDGET

Investment in urban infrastructure is important for the development of the local economy, combating poverty and the provision of universal access to municipal services. Rapid inward population migration, declining household sizes and greater economic activity places pressure on existing municipal infrastructure and require larger investments in the periods ahead. In addition to the rollout of service delivery infrastructure, the municipality's capital expenditure is also directed towards economic stimulus and job creation.

The capital budget is directly informed by the needs submitted by the community through the IDP process. In view of borrowings being maximised and the present economic climate, the high levels of capital expenditure cannot be sustained.

The ability of the Municipality (Parent) to deliver on progress depends a lot on its funding sources which are summarised as follows:

|                           | <u>2019/2020</u><br><u>R M</u> | <u>2020/2021</u><br><u>R M</u> | <u>2021/2022</u><br><u>R M</u> |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total Capital Budget      | 7, 751                         | 7, 933                         | 7, 591                         |
| <u>Funded as follows:</u> |                                |                                |                                |
| Grant Funding             | 3, 495                         | 3, 683                         | 4, 002                         |
| Internal Funding          | 2, 601                         | 3, 250                         | 2, 589                         |
| External Funding          | 1, 655                         | 1, 000                         | 1, 000                         |
|                           | 7, 751                         | 7, 933                         | 7, 591                         |

Government grants are budgeted to continue to fund the bulk of capital expenditure over the next three years, covering almost 48 % of the cumulative expenditure.

| EThekwini Municipality's Capex Funding Mix (Actual) |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
|   | 2013/14<br>R'000 | 2014/15<br>R'000 | 2015/16<br>R'000 | 2016/17<br>R'000 | 2017/18<br>R'000 |
| Capital Expenditure                                 | 4,201,622        | 4,716,504        | 4,858,553        | 5,434,061        | 4,766,075        |
| <u>Fund Sources</u>                                 |                  |                  |                  |                  |                  |
| Grants  | 2,041,010        | 2,779,110        | 3,331,031        | 2,968,039        | 2,640,455        |
| Borrowings  | 1,500,000        | 1,000,000        | -                | 171,914          | 184,689          |
| Internal Funds                                      | 660,612          | 937,394          | 1,527,522        | 2,294,108        | 1,940,931        |
|   | 4,201,622        | 4,716,504        | 4,858,553        | 5,434,061        | 4,766,075        |

The total actual Capital Expenditure has drastically dropped from 2016/17 to 2017/18 financial year. There has also been a low allocation of funds from borrowings in both 2016/17 and 2017/18 financial years. The allocation is mainly from the R 700.0 million borrowed from the Development Finance Institutions (DFI's) in 2016/17 under Infrastructure Investment Programme of South Africa (IIPSA) which was solely for the Western and Northern Aqueduct Project.

The municipality entered into a 15 year loan agreement for R 1.0 billion in 2017/18. However, due to unstable economic conditions during the financial year, it was most favourable for the municipality to delay the draw down to July 2018.

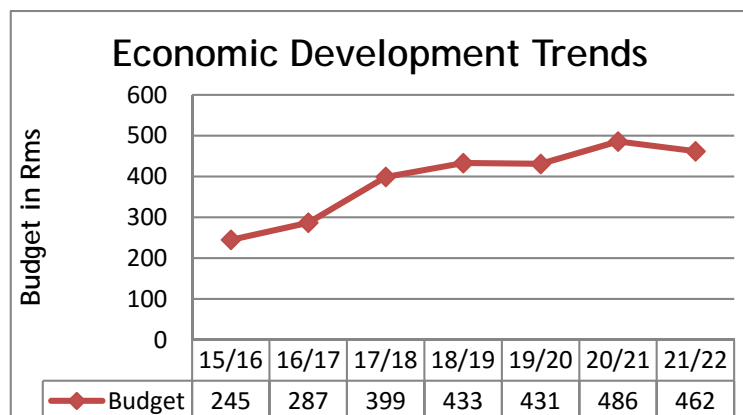
EThekwini has historically been borrowing funds by way of vanilla loans from commercial banks as well as local and international DFI's. In order to ensure a wider range of participation, the Municipality is currently approaching a wider capital market by means of bond issuance through Domestic Medium Term Note Programme (DMTN). For this purpose the Municipality has appointed a Lead Arranger to assist in establishment of the programme.

All borrowings are done in a prudent manner, taking into account the following: -

1. Affordability of rate and taxes attached to the funding
2. Affordability of the repayments of capital and interest
3. Return on investment

## 1.6.2 INFRASTRUCTURE EXPENDITURE TRENDS

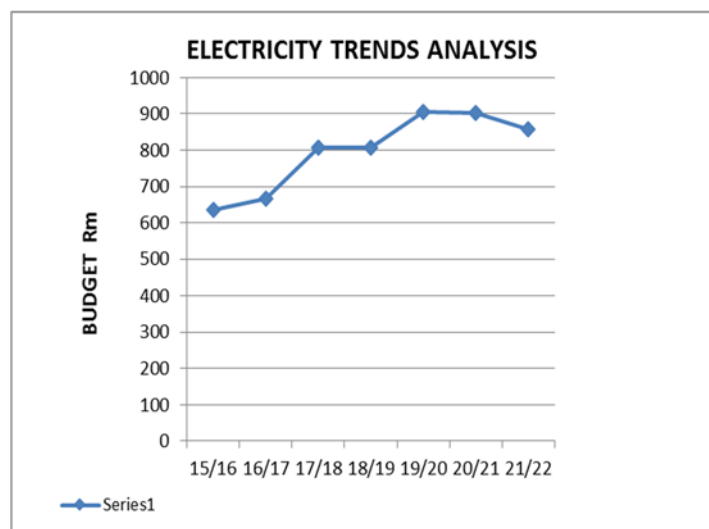
### CAPITAL



Neighbourhood Development Partnership Grant used to create economic infrastructure in undeveloped areas that attracts private sector investment

Focus on strategic township development, town centre renewals, Industrial renewals, upgrading of tourism nodes and corridors, sector support programmes and LED projects such as ICT, Renewal Energy technologies.

Ongoing Investments in Catalytic Projets



Capital budget of R 2.7 bn over next 3 years

Ongoing extension and reinforcements of existing networks

In excess of 10 major new substations to be commissioned or refurbished

### OPERATING

Economic Development Programmes: R 46.1m

Durban Film Office: R 5.1m

Reforestation Projects : R 10.3m

Business Support Projects: R 38.2m

Travel and Tourism Trade Show : R 17.4m

Durban Business Fair & Regional Fairs: R 34.3m

Bid Support & Presentations : R 5.1m

Durban Tourism Events : R 41.1m

Durban Tourism Brand Advertising & Domestic Marketing : R 10.2m

Convention Support : R 3.0m

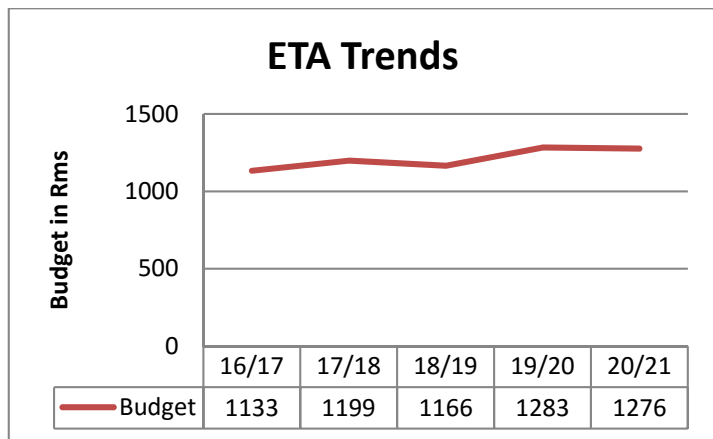
Maintenance budget: R 845.6 m

Provision of new staff: R 163.5 m

Loss in distribution: 8.5 %

Collection rate: 91.7 %

## CAPITAL



Capital budget: R 1.32 bn

Major projects include:

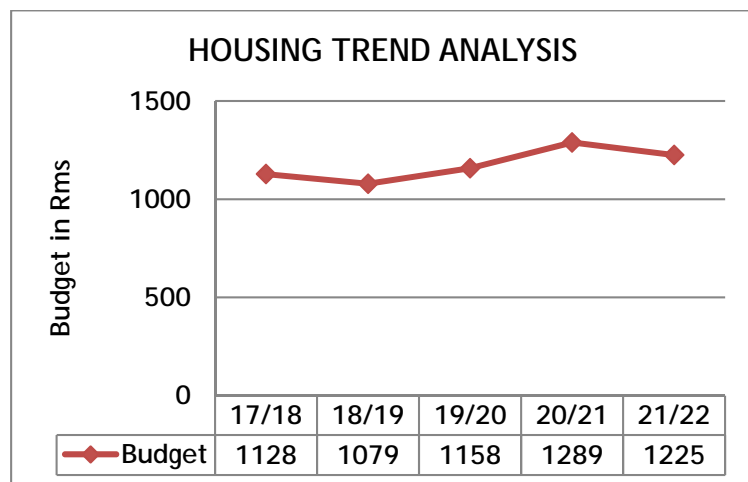
- Cornubia Boulevard
- IRPTN -Corridor C3/C9
- Bridge City terminal
- Harry Gwala Rd upgrade
- Newlands Expressway extension
- Go Durban: Purchase of Buses
- Transport Management Centre
- Inanda Arterial extension Road Upgrade
- M13/Essex Terrace Interchange
- Infrastructure Freight and Logistic

## OPERATING

|  |   |         |
|--|---|---------|
| People Mover:  | R | 47.0 m  |
| Public Transport Improvement Incentives ( Moja Cruise) | R | 55.2 m  |
| Durban Transport:                                      | R | 233.6 m |
| Transport for disabled:                                | R | 11.6 m  |
| Traffic Signals:                                       | R | 16.4 m  |
| Bus operations Go Durban                               | R | 173.9 m |

*Sustainability of operating costs / Subsidies for public transport is a Key challenge*

## CAPITAL



New Development budget increased to R 202.4m

Hostels budget: R 391.8m

Housing rental stock: R 129.8 m

Reduction of the housing delivery program in view of reduced subsidies and the economic climate

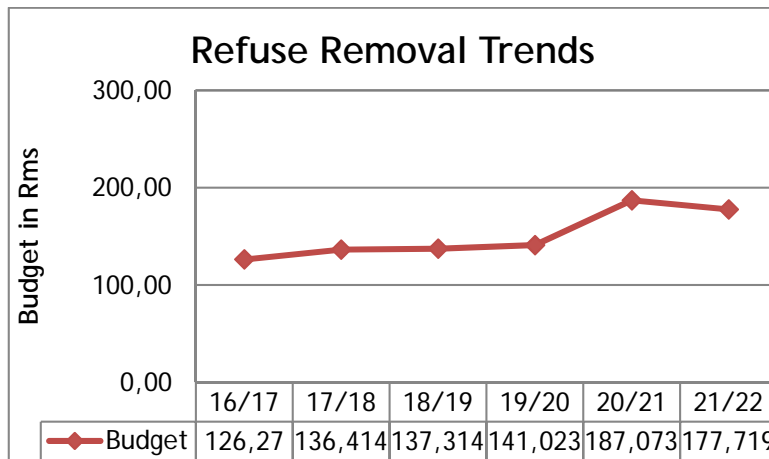
3 700 new housing units for the 2019/20 year.

The construction of houses is dependent on National / Provincial subsidy allocation

Interim services rollout to prioritized informal settlement dwellings

## OPERATING

## CAPITAL



Replacement of ageing Solid Waste fleet : R 41.9 m  
 Buffelsdraai landfill Gas Cleaning : R 12.5 m  
 Lovu Landfill Cell Phases : R 14.9 m

## OPERATING

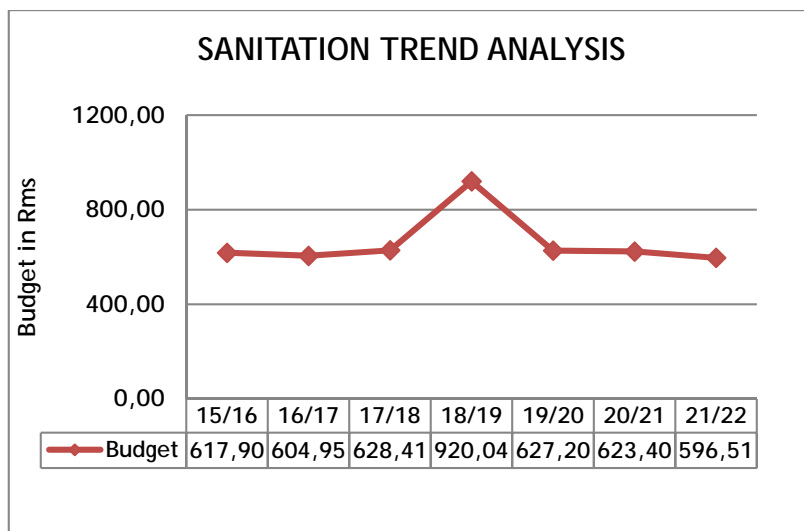
Nearly 100% coverage in the municipal areas by utilising community based contractors to provide refuse removal services to all the informal areas: R 441.9 m

Provision for refuse bags: R 106 m

Fuel; R 68 m

Maintenance of Equipment R 56 m

## CAPITAL



Provision of Ablution Blocks: Informal settlements : R 250.1 m

Southern Waste Water Treatment Works Digester: R 30.0 m

Rural Sanitation : R 40.0 m

## OPERATING

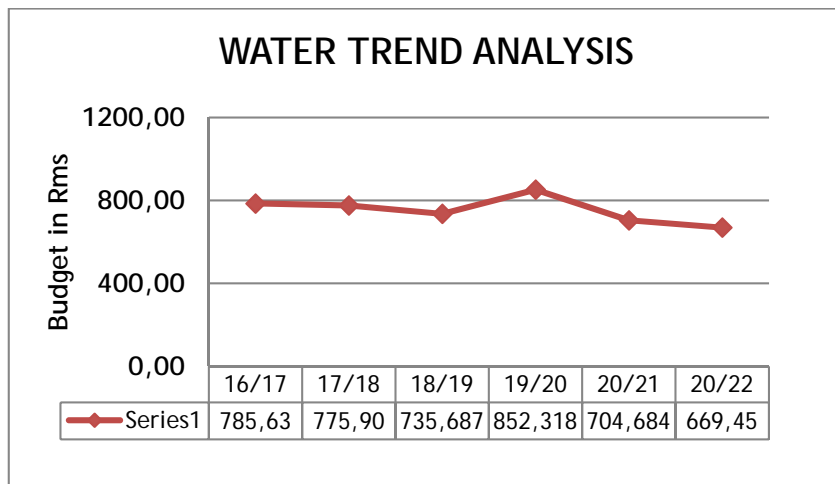
Maintenance of Buildings & Fac R 362 m

External Security : R 74 m

Sludge disposal initiatives : R 70 m

Hygiene Services | VIP Emptying R 50 m

## CAPITAL



Upward trend due to investment in infrastructure and Addressing of backlogs.

Northern Aqueduct project : R 155.0 m  
 Replacement of water pipes: R 90.0 m  
 PRV Installation project : R 27.5 m  
 Relays and extension : R 30.0 m

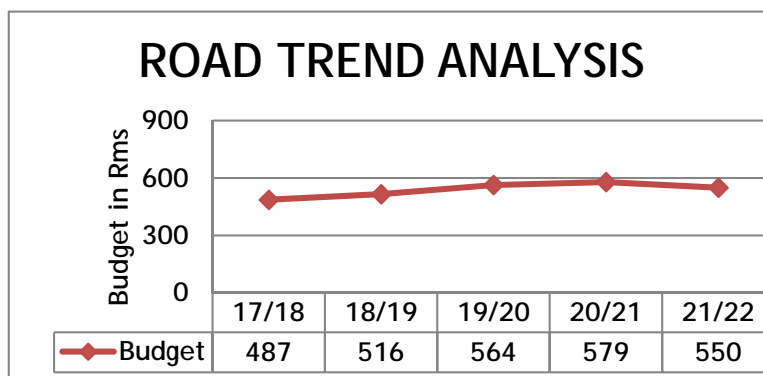
## OPERATING

Security to safeguard infrastructure: R 156 m

Maintenance of infrastructure : R 513 m

Water loss in distribution budgeted at 35 %

## CAPITAL



Capital budget: R 564 m

Focus on design and implementation of Capital Roads Projects, Road Rehabilitation projects, civil engineering structures, road upgrades, gravel to surface and maintenance of existing road Networks.

Major projects include:

- Solomon Mahlangu Drive Rehabilitation
- Vusi Mzimela Road Upgrade
- Angola Bus Route
- Road A637 Upgrade gravel to surface
- Road Rehabilitation
- Route 5.4 Phase 2 Gravel to surface upgrade
- Mpisi Road Gravel to surface upgrade
- 108097 Road upgrade, Umlazi BB

## OPERATING

Roads & Streets maintenance : R 251.6 m

Zibambebe Poverty Alleviation : R 101.0 m

Public realm & priority zone Maintenance : R 35.7 m

Gravel maintenance : R 87.6 m

Drains cleaning and maintenance : R 36.5 m

Sihlanzimvelo Project- Rivers and Streams maintenance : R 39.7 m

- Postum Road upgrade
- Joe Dlamini Way Upgrade Ward 67
- 121603 Str - gravel to surface , Ward 57

Provision has also been made within the Engineering capital budget for the Low Volume Gravel upgrade programme. Low Volume Informal network is upgraded to paved standard on an annual basis as part of an initiative to eliminate gravel roads in the Ethekeini Municipal Area.

### 1.6.3 MAJOR ITEMS OF EXPENDITURE

| ITEM / DESCRIPTION  | R' m  |
|---|-------|
| <b>1.6.3.1 HUMAN SETTLEMENTS, ENGINEERING, TRANSPORT AND INFRASTRUCTURE</b> |       |
| • Solid Waste Fleet   | 42.0  |
| • Buffelsdraai Landfill Site Infrastructure                                 | 13.0  |
| • Lovu Landfill Site Infrastructure   | 15.0  |
| • Water Fleet   | 24.0  |
| • Alverston to Frasers Trunk Main   | 37.0  |
| • Western and Northern Aqueduct Projects                                    | 183.0 |
| • Emoyeni Reservoir   | 30.0  |
| • Upgrade to Mkhizwana Treatment Works                                      | 29.0  |
| • Upgrade to Ogunjini Treatment Works                                       | 17.0  |
| • Upgrade to SCADA system   | 26.0  |
| • Kwanqetho Reservoir   | 17.0  |
| • Hazelmere WWTW  | 17.0  |
| • Upgrade to Ablution Facilities  | 250.0 |
| • Southern WWTW Digester Online   | 30.0  |
| • Mahatma Gandhi Sewer Reticulation   | 45.0  |
| • Projects for the prevention of Water Losses                               | 63.4  |
| • Replacement of Water Pipes  | 25.0  |
| • Relays and Extensions   | 90.0  |
| • Rural Water Projects  | 30.0  |
| • Installations of PRVs   | 20.0  |
| • Rural Sanitation Projects   | 27.5  |
|   | 40.0  |

|   |       |
|---|-------|
| • Zibambele poverty alleviation project: roads/verge maintenance            | 101.0 |
| • Housing delivery programme: 3 700 units                                   | 589.8 |
| • Upgrading and conversion of hostels into family units                     | 80.0  |
| • Roads and streets maintenance   | 251.6 |
| • Gravel roads maintenance  | 87.6  |
| • Electricity network maintenance   | 454.8 |
| • Drains cleaning and maintenance   | 36.5  |
| • Maintenance of priority routes  | 35.7  |
| • Stormwater Infrastructure   | 49.6  |
| • Structural maintenance: bridges etc.                                      | 20.8  |
| • People mover  | 47.0  |
| • Durban Transport bus service  | 233.6 |
| • Rivers and streams maintenance  | 39.7  |
| • Lines and signs maintenance   | 26.4  |
| • Traffic signals   | 16.4  |
| • Transport for disabled ( Dial- a - Ride)                                  | 11.6  |
| • Public Transport Service Improvement Incentives Programme ( Moja Cruise ) | 55.2  |
| • Bus Operations - Go Durban  | 173.9 |

#### 1.6.3.2 CORPORATE AND HUMAN RESOURCES

|   |      |
|---|------|
| • Continual roll out of employee wellness interventions                                       | 4.0  |
| • Medical Surveillance: detection and management of occupational diseases                     | 3.0  |
| • Work Skills Plan Training   | 14.3 |
| • Learnerships/Skills/Apprenticeships Programmes: Learnerships will be implemented/ continued | 81.0 |
| • Bursaries for high achieving matriculants   | 8.6  |

#### 1.6.3.3 SUSTAINABLE DEVELOPMENT AND CITY ENTERPRISES

|  |       |
|--|-------|
| • Economic programmes, improve and grow the economic base of the city  | 46.1  |
| • Durban Film Office Programmes  | 5.1   |
| • Town centre Renewal  | 30.0  |
| • Neighbourhood Development Programme                                  | 48.0  |
| • Tourism Development  | 9.6   |
| • Beachfront Landscaping : Maintenance and Development                 | 23.8  |
| • Event Promoters  | 27.2  |
| • External Security  | 51.2  |
| • SEDA eThekweni   | 5.2   |
| • SEDA Construction  | 4.4   |
| • KZN Sharks   | 7.3   |
| • Corporate Municipal Activities, Advertising, Publicity and Marketing | 107.4 |
| • Reforestation projects : Buffeldraai, Inanda and Paradise Valley     | 10.2  |
| • Removal of Illegal Signage and Billboards                            | 4.9   |
| • Energy Efficiency Demand Side Management System                      | 15.0  |
| • Invasive Alien Plant (IAP) Control                                   | 25.4  |

#### 1.6.3.4 GOVERNANCE

|  |      |
|--|------|
| • Food Aid Programme: 73 soup kitchens                             | 87.7 |
| • Printing and distribution of Municipal Gazette: eZasegagasini    | 15.2 |
| • Ward Committees Stipend  | 13.0 |
| • Repairs & maintenance – buildings : Sizakala Centres & City Hall | 9.6  |
| • External Security services for councillor's offices              | 20.0 |
| • Grant in Aid – non-profit organisations                          | 5.6  |
| • SALGA Subscriptions  | 14.9 |
| • Advertising  | 14.0 |

#### 1.6.3.5 OFFICE OF THE CITY MANAGER

|  |        |
|--|--------|
| • Legal Fees: Litigation   | 24.8   |
| • Sale of Broadband: Income  | (29.4) |
| • Cost of Excess Capacity iro Sale of Broadband                            | 18.3   |
| • Maintenance, Management and Monitoring of the Municipality's IT Network  | 30.0   |
| • Programming: Applications and Systems Software                           | 34.6   |
| • IT Consultants and Professional services                                 | 54.2   |
| • Licensing Fees: Software   | 40.2   |
| • Area Based Management-Operational Projects                               | 10.2   |
| • Mayoral Imbizos  | 5.7    |
| • Extended Public Works Programme (EPWP) expenditure                       | 93.7   |
| • EPWP integrated Grant: Income  | (78.7) |
| • Youth Development Programmes   | 19.6   |
| • Vulnerable Groups  | 5.5    |
| • Senior Citizens Programme: Special Event recognizing our Senior Citizens | 24.5   |

#### 1.6.3.6 COMMUNITY AND EMERGENCY SERVICES

|   |      |
|---|------|
| • Fleet maintenance for Fire & Emergency unit                   |      |
| • Maintenance of Fire specialised equipment                     | 5.4  |
| • Fire uniforms and protective clothing                         | 4.9  |
| • Specialised fire fighting support vehicles                    | 5.0  |
| • Hammarsdale Fire Station – Renovation and alterations         | 29.4 |
| • Illovo Fire training facility                                 | 10.0 |
| • Disaster management operations                                | 12.0 |
| • CCTV repairs and maintenance to existing cameras              | 3.7  |
| • CCTV new installation at crime hot-spot areas                 | 6.5  |
| • Maintenance of Emergency Control and communication equipment  | 9.4  |
| • Installation of Call Manager System                           | 4.4  |
| • Installation of Emergency Services System                     | 10.0 |
| • Implementation of Safer Cities Plan                           | 1.8  |
| • Security Management land invasion section                     | 2.0  |
| • External security for safeguarding of council assets          | 10.5 |
| • Air pollution monitoring and specialised equipment within EMA |      |
| • Maintenance of Air quality equipment                          |      |
| • Provision for HIV/AIDS services                               |      |

|  |       |
|--|-------|
| • Medical requisites for clinics                               | 775.0 |
| • Maintenance to clinics                                       | 3.5   |
| • Renovations and alterations to clinics                       | 3.8   |
| • Providing 16 cyber zones for libraries                       | 2.7   |
| • Grass cutting and weed control: contractors                  | 5.3   |
| • Provision of pool chemicals at swimming pools: water quality | 5.4   |
| • Provision of Shark Nets along the coastline                  | 28.0  |
| • Library services at shopping centres                         | 5.1   |
| • Take over of Umgeni River Bird Park                          | 109.5 |
| • Grants -in- Aid : Arts and Culture                           | 5.5   |
| • Cornubia Phase 1A Social Facilities                          | 15.9  |
| • Tshelimnyama Library   | 26.3  |
| • Umkomaas Crematoria  | 16.0  |
|  | 30.7  |
|  | 15.8  |
|  | 10.0  |

#### 1.6.3.7 FINANCE

|  |       |
|--|-------|
| • Vehicle and bus licencing and registration | 27.1  |
| • Maintenance of Equipment                   | 263.4 |
| • Vehicle tracking                           | 12.4  |
| • Postage/Stamps/Franking                    | 35.3  |
| • Vehicle & bus fleet replacement programme  | 309.0 |
| • Workshop upgrade and expansions            | 25.5  |
| • City Owned Buildings Upgrade               | 32.4  |

### 1.7 ANNUAL BUDGET TABLES

The ten primary budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations follow. These tables set out the municipality's 2019/20 budget and MTREF. Each table is accompanied by explanatory notes on the facing page.

**ETH eThekweni - Table A1 Consolidated Budget Summary**

| Description  | 2015/16           | 2016/17           | 2017/18           | Current Year 2018/19 |                   |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|--------------------|---|------------------------|------------------------|
|  | Audited Outcome   | Audited Outcome   | Audited Outcome   | Original Budget      | Adjusted Budget   | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>R thousands</b>   |                   |                   |                   |                      |                   |                    |   |                        |                        |
| <b>Financial Performance</b>   |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Property rates   | 6,219,986         | 6,570,118         | 7,673,349         | 7,497,289            | 7,617,289         | 7,617,289          | 8,200,000   | 8,765,800              | 9,370,640              |
| Service charges  | 15,597,272        | 16,571,802        | 17,151,090        | 19,336,547           | 19,336,547        | 19,218,244         | 21,751,776  | 24,476,331             | 26,813,170             |
| Investment revenue   | 540,599           | 664,334           | 598,038           | 455,655              | 520,153           | 521,413            | 510,324   | 539,058                | 591,839                |
| Transfers recognised - operational                                   | 2,439,256         | 2,716,460         | 5,333,730         | 5,736,952            | 5,773,032         | 5,815,284          | 6,417,208   | 6,884,940              | 7,551,378              |
| Other own revenue  | 4,245,626         | 4,048,459         | 2,303,186         | 2,149,019            | 2,119,534         | 2,352,694          | 2,398,200   | 2,560,640              | 2,716,240              |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>29,042,739</b> | <b>30,571,173</b> | <b>33,059,393</b> | <b>35,175,463</b>    | <b>35,366,555</b> | <b>35,524,925</b>  | <b>39,277,508</b>                                   | <b>43,226,769</b>      | <b>47,043,268</b>      |
| Employee costs   | 8,251,752         | 8,860,255         | 10,081,933        | 10,470,211           | 10,573,522        | 10,252,311         | 11,544,074  | 12,362,660             | 13,207,097             |
| Remuneration of councillors  | 105,334           | 110,934           | 119,344           | 132,014              | 132,014           | 128,218            | 134,127   | 140,322                | 146,826                |
| Depreciation & asset impairment                                      | 1,972,414         | 2,188,667         | 2,311,697         | 2,554,436            | 2,544,294         | 2,544,297          | 2,700,663   | 2,951,803              | 2,804,242              |
| Finance charges  | 968,805           | 897,959           | 852,320           | 857,779              | 857,779           | 804,205            | 974,356   | 910,007                | 947,200                |
| Materials and bulk purchases   | 9,515,943         | 10,232,765        | 11,458,536        | 12,484,357           | 12,538,230        | 12,299,777         | 14,143,557  | 15,599,480             | 16,828,873             |
| Transfers and grants   | 208,921           | 282,815           | 397,901           | 481,898              | 492,858           | 465,733            | 506,730   | 543,328                | 583,177                |
| Other expenditure  | 7,090,380         | 8,768,169         | 8,512,279         | 8,246,416            | 8,278,738         | 8,960,033          | 8,725,385   | 9,232,868              | 9,674,243              |
| <b>Total Expenditure</b>   | <b>28,113,549</b> | <b>31,341,563</b> | <b>33,734,010</b> | <b>35,227,111</b>    | <b>35,417,435</b> | <b>35,454,573</b>  | <b>38,728,894</b>                                   | <b>41,740,468</b>      | <b>44,191,658</b>      |
| <b>Surplus/(Deficit)</b>   | <b>929,191</b>    | <b>(770,391)</b>  | <b>(674,617)</b>  | <b>(51,648)</b>      | <b>(50,880)</b>   | <b>70,352</b>      | <b>548,614</b>                                      | <b>1,486,300</b>       | <b>2,851,610</b>       |
| Transfers and subsidies - capital (monetary allocation)              | 3,331,032         | 2,968,039         | 2,640,456         | 3,493,321            | 3,467,891         | 3,400,806          | 3,494,707   | 3,683,338              | 4,002,340              |
| Contributions recognised - capital & contributed assets              | -                 | -                 | -                 | -                    | -                 | -                  | -   | -                      | -                      |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>4,260,222</b>  | <b>2,197,648</b>  | <b>1,965,839</b>  | <b>3,441,673</b>     | <b>3,417,011</b>  | <b>3,471,159</b>   | <b>4,043,322</b>                                    | <b>5,169,638</b>       | <b>6,853,950</b>       |
| Share of surplus/ (deficit) of associate                             | -                 | -                 | -                 | -                    | -                 | -                  | -   | -                      | -                      |
| <b>Surplus/(Deficit) for the year</b>                                | <b>4,260,222</b>  | <b>2,197,648</b>  | <b>1,965,839</b>  | <b>3,441,673</b>     | <b>3,417,011</b>  | <b>3,471,159</b>   | <b>4,043,322</b>                                    | <b>5,169,638</b>       | <b>6,853,950</b>       |
| <b>Capital expenditure &amp; funds sources</b>                       |                   |                   |                   |                      |                   |                    |   |                        |                        |
| <b>Capital expenditure</b>   | <b>4,902,924</b>  | <b>5,466,428</b>  | <b>4,808,427</b>  | <b>7,110,162</b>     | <b>7,100,360</b>  | <b>6,748,894</b>   | <b>7,854,604</b>                                    | <b>8,008,308</b>       | <b>7,674,131</b>       |
| Transfers recognised - capital                                       | 3,331,032         | 2,968,039         | 2,640,456         | 3,427,476            | 3,416,046         | 3,400,806          | 3,494,707   | 3,683,338              | 4,002,340              |
| Borrowing  | -                 | 171,914           | 199,499           | 1,000,000            | 1,188,800         | 1,188,800          | 1,654,597   | 1,000,000              | 1,000,000              |
| Internally generated funds   | 1,571,893         | 2,326,475         | 1,968,472         | 2,682,686            | 2,495,514         | 2,159,287          | 2,705,300   | 3,324,970              | 2,671,791              |
| <b>Total sources of capital funds</b>                                | <b>4,902,925</b>  | <b>5,466,428</b>  | <b>4,808,427</b>  | <b>7,110,162</b>     | <b>7,100,360</b>  | <b>6,748,894</b>   | <b>7,854,604</b>                                    | <b>8,008,308</b>       | <b>7,674,131</b>       |
| <b>Financial position</b>  |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Total current assets   | 15,059,946        | 14,315,463        | 14,654,308        | 15,035,207           | 17,494,819        | 15,328,826         | 14,675,968  | 15,165,528             | 17,851,099             |
| Total non current assets   | 45,079,185        | 48,301,228        | 50,327,879        | 58,147,515           | 56,012,601        | 55,490,622         | 60,671,612  | 65,748,624             | 70,640,749             |
| Total current liabilities  | 11,448,109        | 11,300,859        | 12,191,331        | 11,511,704           | 11,572,063        | 11,895,959         | 11,912,301  | 11,986,010             | 11,928,712             |
| Total non current liabilities  | 11,990,573        | 12,197,749        | 11,943,581        | 12,721,319           | 14,265,185        | 13,403,715         | 13,270,901  | 13,659,890             | 13,986,373             |
| Community wealth/Equity  | 36,700,449        | 39,118,083        | 40,847,275        | 48,949,700           | 47,670,173        | 45,519,773         | 50,164,377  | 55,268,252             | 62,576,762             |
| <b>Cash flows</b>  |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Net cash from (used) operating                                       | 7,037,273         | 5,119,974         | 5,175,791         | 5,542,319            | 5,622,713         | 6,080,573          | 7,070,414   | 7,893,155              | 9,379,010              |
| Net cash from (used) investing                                       | (4,891,549)       | (5,338,579)       | (4,701,407)       | (7,196,865)          | (7,187,064)       | (6,740,911)        | (7,854,786)   | (8,003,213)            | (7,670,059)            |
| Net cash from (used) financing                                       | (1,096,160)       | (400,374)         | (674,885)         | 268,979              | 279,204           | 1,229,874          | 550,658   | 170,238                | 195,526                |
| <b>Cash/cash equivalents at the year end</b>                         | <b>7,216,329</b>  | <b>6,597,350</b>  | <b>6,386,707</b>  | <b>4,770,896</b>     | <b>5,101,561</b>  | <b>6,956,243</b>   | <b>6,152,993</b>                                    | <b>6,213,174</b>       | <b>8,117,650</b>       |
| <b>Cash backing/surplus reconciliation</b>                           |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Cash and investments available                                       | 7,216,329         | 6,597,350         | 6,386,707         | 6,373,258            | 6,877,002         | 6,956,243          | 6,152,993   | 6,213,174              | 8,117,650              |
| Application of cash and investments                                  | 5,800,154         | 5,936,331         | 5,472,208         | 3,198,425            | 1,384,480         | 5,226,806          | 4,453,106   | 3,120,817              | 1,813,317              |
| <b>Balance - surplus (shortfall)</b>                                 | <b>1,416,175</b>  | <b>661,019</b>    | <b>914,499</b>    | <b>3,174,834</b>     | <b>5,492,523</b>  | <b>1,729,437</b>   | <b>1,699,887</b>                                    | <b>3,092,357</b>       | <b>6,304,333</b>       |
| <b>Asset management</b>  |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Asset register summary (WDV)   | 65,331,806        | 72,922,490        | 59,104,196        | 71,576,493           | 67,559,282        | 67,995,078         | 74,198,851  | 78,835,505             | 83,024,410             |
| Depreciation   | 1,972,414         | 2,188,667         | 2,311,697         | 2,554,436            | 2,544,295         | 2,544,297          | 2,700,663   | 2,951,803              | 2,804,242              |
| Renewal and Upgrading of Existing Assets                             | 1,767,799         | 3,604,921         | 2,114,892         | 3,376,270            | 3,252,069         | 3,093,298          | 3,144,765   | 3,737,739              | 2,960,248              |
| Repairs and Maintenance  | 2,892,428         | 2,487,235         | 4,099,913         | 4,576,284            | 4,447,591         | 3,827,181          | 4,087,976   | 4,144,516              | 4,321,871              |
| <b>Free services</b>   |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Cost of Free Basic Services provided                                 | 1,423,509         | 1,721,398         | 1,781,791         | 1,526,495            | 1,526,495         | 1,472,189          | 1,475,043   | 1,694,247              | 1,941,225              |
| Revenue cost of free services provided                               | 4,718,777         | 2,360,547         | 2,343,758         | 4,771,779            | 4,771,779         | 4,475,539          | 5,801,490   | 6,289,594              | 6,817,063              |
| <b>Households below minimum service level</b>                        |                   |                   |                   |                      |                   |                    |   |                        |                        |
| Water:   | 125               | 128               | 152               | 127                  | 127               | 193                | 125   | 122                    | 122                    |
| Sanitation/sewerage:   | 275               | 189               | 154               | 143                  | 151               | 136                | 136   | 140                    | 144                    |
| Energy:  | 394               | 399               | 447               | 410                  | 420               | 415                | 415   | 410                    | 410                    |
| Refuse:  | -                 | -                 | -                 | -                    | -                 | -                  | -   | -                      | -                      |

## EXPLANATORY NOTES TO MBRR TABLE A1 - BUDGET SUMMARY

Table A1 represents a high level summation of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the amounts to be approved for operating performance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
- b. Capital expenditure is balanced by capital funding sources, of which
  - i. Transfers recognized is reflected on the Financial Performance Budget;
  - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
  - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years.

Even though the Council places great emphasis on the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make good progress in addressing service delivery backlogs.

ETH eThekweni - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional classification)

| Functional Classification Description      | Ref      | 2015/16           | 2016/17           | 2017/18           | Current Year 2018/19 |                   |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|----------|-------------------|-------------------|-------------------|----------------------|-------------------|--------------------|---|------------------------|------------------------|
|  |          | Audited Outcome   | Audited Outcome   | Audited Outcome   | Original Budget      | Adjusted Budget   | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>R thousand</b>                          | <b>1</b> |                   |                   |                   |                      |                   |                    |   |                        |                        |
| <b>Revenue - Functional</b>                |          |                   |                   |                   |                      |                   |                    |   |                        |                        |
| <i>Governance and administration</i>       |          | 9,691,303         | 10,985,780        | 11,870,791        | 12,496,884           | 12,444,518        | 13,032,926         | 13,752,846  | 14,935,551             | 16,171,348             |
| Executive and council                      |          | 1,406             | 104,448           | 68,184            | 335,800              | 96,550            | 96,677             | 311,561   | 270,930                | 343,068                |
| Finance and administration                 |          | 9,689,897         | 10,881,332        | 11,802,543        | 12,161,084           | 12,347,968        | 12,936,248         | 13,441,285  | 14,664,621             | 15,828,281             |
| Internal audit                             |          | -                 | -                 | 64                | -                    | -                 | -                  | -   | -                      | -                      |
| <i>Community and public safety</i>         |          | 1,294,638         | 1,456,485         | 2,032,898         | 2,392,442            | 2,470,470         | 2,439,736          | 2,558,430   | 2,693,086              | 2,962,182              |
| Community and social services              |          | 106,921           | 75,354            | 279,063           | 364,632              | 352,275           | 347,034            | 434,183   | 479,248                | 504,689                |
| Sport and recreation                       |          | 75,286            | 141,081           | 391,006           | 440,085              | 434,589           | 423,196            | 477,444   | 484,046                | 484,831                |
| Public safety                              |          | 649,243           | 72,686            | 450,390           | 91,940               | 88,443            | 71,404             | 99,169  | 94,697                 | 86,524                 |
| Housing                                    |          | 313,444           | 1,078,835         | 670,008           | 1,263,034            | 1,364,162         | 1,371,707          | 1,310,237   | 1,376,602              | 1,617,953              |
| Health                                     |          | 149,744           | 88,529            | 242,431           | 232,750              | 231,000           | 226,394            | 237,396   | 258,493                | 268,184                |
| <i>Economic and environmental services</i> |          | 2,409,152         | 1,766,082         | 1,365,620         | 1,744,276            | 1,477,964         | 1,471,890          | 1,813,340   | 1,831,775              | 1,816,403              |
| Planning and development                   |          | 202,304           | 307,421           | 200,393           | 247,523              | 181,953           | 175,854            | 276,089   | 316,458                | 298,574                |
| Road transport                             |          | 2,203,737         | 1,457,380         | 1,157,978         | 1,491,430            | 1,289,488         | 1,292,712          | 1,533,881   | 1,514,297              | 1,516,758              |
| Environmental protection                   |          | 3,110             | 1,281             | 7,249             | 5,324                | 6,524             | 3,325              | 3,371   | 1,020                  | 1,070                  |
| <i>Trading services</i>                    |          | 18,385,065        | 18,742,673        | 20,292,304        | 21,833,772           | 22,311,085        | 21,853,540         | 24,481,752  | 27,280,541             | 29,950,404             |
| Energy sources                             |          | 12,235,174        | 12,125,435        | 12,992,108        | 13,352,912           | 13,675,161        | 13,481,206         | 15,127,952  | 16,894,754             | 18,267,770             |
| Water management                           |          | 3,871,042         | 3,857,027         | 4,523,398         | 5,632,501            | 5,408,668         | 5,388,735          | 6,322,136   | 7,219,314              | 8,321,141              |
| Waste water management                     |          | 1,305,870         | 1,847,533         | 1,656,592         | 1,688,750            | 2,045,295         | 1,816,135          | 1,785,471   | 1,799,054              | 1,947,135              |
| Waste management                           |          | 972,979           | 912,678           | 1,120,207         | 1,159,608            | 1,181,960         | 1,167,464          | 1,246,192   | 1,367,420              | 1,414,359              |
| <i>Other</i>                               | 4        | 593,613           | 588,192           | 138,235           | 201,410              | 130,410           | 127,640            | 165,850   | 169,153                | 145,271                |
| <b>Total Revenue - Functional</b>          | <b>2</b> | <b>32,373,771</b> | <b>33,539,212</b> | <b>35,699,849</b> | <b>38,668,784</b>    | <b>38,834,447</b> | <b>38,925,732</b>  | <b>42,772,217</b>                                   | <b>46,910,106</b>      | <b>51,045,608</b>      |
| <b>Expenditure - Functional</b>            |          |                   |                   |                   |                      |                   |                    |   |                        |                        |
| <i>Governance and administration</i>       |          | 3,057,448         | 5,653,556         | 6,131,104         | 5,860,441            | 5,960,571         | 6,243,054          | 6,206,678   | 6,561,208              | 6,870,241              |
| Executive and council                      |          | 326,768           | 386,725           | 974,129           | 901,525              | 991,903           | 1,120,231          | 928,660   | 930,026                | 941,502                |
| Finance and administration                 |          | 2,641,273         | 5,180,694         | 5,071,235         | 4,856,634            | 4,866,436         | 5,037,984          | 5,168,479   | 5,514,923              | 5,804,825              |
| Internal audit                             |          | 89,411            | 86,137            | 85,740            | 102,282              | 102,232           | 84,839             | 109,539   | 116,260                | 123,915                |
| <i>Community and public safety</i>         |          | 4,891,791         | 4,762,014         | 5,623,558         | 5,708,232            | 5,741,469         | 5,643,570          | 6,103,388   | 6,485,026              | 6,845,242              |
| Community and social services              |          | 788,940           | 880,260           | 810,026           | 941,592              | 933,231           | 972,386            | 1,038,687   | 1,108,420              | 1,172,684              |
| Sport and recreation                       |          | 1,131,043         | 1,191,899         | 1,659,648         | 1,839,351            | 1,821,200         | 1,750,854          | 1,822,522   | 1,922,588              | 2,029,396              |
| Public safety                              |          | 1,817,833         | 1,561,344         | 2,202,012         | 1,746,177            | 1,805,928         | 1,768,957          | 1,989,101   | 2,114,680              | 2,250,909              |
| Housing                                    |          | 754,796           | 689,547           | 453,845           | 593,434              | 593,434           | 557,915            | 627,578   | 667,280                | 674,168                |
| Health                                     |          | 399,180           | 438,964           | 498,028           | 587,678              | 587,676           | 593,458            | 625,501   | 672,057                | 718,085                |
| <i>Economic and environmental services</i> |          | 2,888,116         | 3,055,489         | 3,070,742         | 3,444,594            | 3,497,740         | 3,380,679          | 3,941,802   | 4,327,117              | 4,482,191              |
| Planning and development                   |          | 818,562           | 1,006,401         | 633,035           | 800,233              | 785,141           | 660,276            | 854,094   | 909,411                | 956,093                |
| Road transport                             |          | 1,945,248         | 1,909,456         | 2,219,176         | 2,390,839            | 2,442,164         | 2,466,619          | 2,820,052   | 3,133,445              | 3,223,778              |
| Environmental protection                   |          | 124,306           | 139,632           | 218,531           | 253,522              | 270,435           | 253,784            | 267,656   | 284,260                | 302,320                |
| <i>Trading services</i>                    |          | 16,586,025        | 17,099,302        | 18,680,120        | 19,951,779           | 19,951,892        | 19,891,737         | 22,194,397  | 24,066,569             | 25,676,870             |
| Energy sources                             |          | 10,146,160        | 10,696,591        | 10,835,782        | 12,329,506           | 12,329,557        | 11,689,494         | 13,546,319  | 14,797,152             | 15,769,175             |
| Water management                           |          | 4,179,827         | 4,027,082         | 5,157,388         | 4,838,140            | 4,837,874         | 5,291,620          | 5,563,360   | 6,132,077              | 6,658,664              |
| Waste water management                     |          | 1,382,015         | 1,219,740         | 1,522,643         | 1,582,577            | 1,582,850         | 1,722,437          | 1,742,429   | 1,711,972              | 1,761,202              |
| Waste management                           |          | 878,023           | 1,155,889         | 1,164,306         | 1,201,556            | 1,201,610         | 1,188,187          | 1,342,288   | 1,425,368              | 1,487,829              |
| <i>Other</i>                               | 4        | 693,999           | 774,418           | 228,920           | 262,065              | 265,763           | 295,531            | 282,629   | 300,549                | 317,114                |
| <b>Total Expenditure - Functional</b>      | <b>3</b> | <b>28,117,379</b> | <b>31,344,779</b> | <b>33,734,445</b> | <b>35,227,111</b>    | <b>35,417,436</b> | <b>35,454,572</b>  | <b>38,728,894</b>                                   | <b>41,740,469</b>      | <b>44,191,658</b>      |
| <b>Surplus/(Deficit) for the year</b>      |          | <b>4,256,392</b>  | <b>2,194,432</b>  | <b>1,965,404</b>  | <b>3,441,673</b>     | <b>3,417,011</b>  | <b>3,471,160</b>   | <b>4,043,323</b>                                    | <b>5,169,638</b>       | <b>6,853,950</b>       |

## EXPLANATORY NOTES TO MBRR TABLE A2 - BUDGET PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

Table A2 is an overview of the budgeted financial performance in relation to revenue and expenditure per standard classification. The GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enable National Treasury to compile 'whole of government' reports.

As a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

ETH eThekweni - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description                              | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
| R thousand                                    |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| Revenue by Vote                               | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Office of the City Manager           |     | 28,297          | 133,959         | 16,047          | 288,330              | 49,080          | 49,081             | 340,958   | 301,797                | 375,479                |
| Vote 2 - City Manager's Operations            |     | 663,782         | 154,397         | 472,774         | 111,842              | 111,842         | 92,537             | 117,335   | 123,202                | 129,362                |
| Vote 3 - Finance                              |     | 9,486,785       | 10,805,914      | 11,760,891      | 12,105,306           | 12,287,191      | 12,878,991         | 13,379,051  | 14,599,313             | 15,759,716             |
| Vote 4 - Office of the Strategic Management   |     | 1,653           | 327             | 710             | 5,601                | 5,601           | 3,100              | 2,621   | 1,348                  | 1,388                  |
| Vote 5 - Governance                           |     | 3,209           | 3,397           | 70,275          | 78,586               | 78,586          | 78,768             | 3,074   | 3,227                  | 3,389                  |
| Vote 6 - Corporate and Human Resources        |     | 11,419          | 10,658          | 12,770          | 19,203               | 19,203          | 19,364             | 27,915  | 29,274                 | 30,728                 |
| Vote 7 - Economic Development & Planning      |     | 351,049         | 422,215         | 341,769         | 446,157              | 310,787         | 300,468            | 439,647   | 482,091                | 440,274                |
| Vote 8 - Community and Emergency Services     |     | 386,279         | 266,445         | 466,197         | 543,737              | 547,673         | 529,279            | 615,585   | 661,627                | 634,491                |
| Vote 9 - Human Settlements and Infrastructure |     | 2,592,012       | 2,538,884       | 1,789,441       | 2,709,036            | 2,608,222       | 2,618,292          | 2,795,470   | 2,839,819              | 3,080,979              |
| Vote 10 - Trading Services                    |     | 18,377,469      | 18,741,102      | 20,297,939      | 21,837,462           | 22,314,774      | 21,854,361         | 24,482,424  | 27,281,248             | 29,951,146             |
| Vote 11 - Durban ICC                          |     | 204,212         | 189,131         | 186,556         | 219,674              | 206,761         | 206,761            | 220,031   | 234,229                | 251,309                |
| Vote 12 - USHAKA MARINE                       |     | 267,605         | 272,782         | 284,479         | 303,851              | 294,728         | 294,728            | 348,105   | 352,932                | 387,348                |
| Total Revenue by Vote                         | 2   | 32,373,771      | 33,539,212      | 35,699,849      | 38,668,784           | 38,834,447      | 38,925,730         | 42,772,216  | 46,910,107             | 51,045,608             |
| Expenditure by Vote <i>to be appropriated</i> | 1   |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Vote 1 - Office of the City Manager           |     | 463,760         | 511,381         | 532,655         | 660,105              | 675,558         | 667,197            | 899,831   | 901,061                | 935,584                |
| Vote 2 - City Manager's Operations            |     | 1,076,059       | 1,526,381       | 1,937,997       | 1,392,419            | 1,477,382       | 1,433,292          | 1,630,473   | 1,744,446              | 1,859,605              |
| Vote 3 - Finance                              |     | 3,031,732       | 4,219,976       | 3,054,058       | 2,510,477            | 2,509,477       | 2,548,962          | 2,613,771   | 2,779,407              | 2,897,369              |
| Vote 4 - Office of the Strategic Management   |     | 31,165          | 29,823          | 35,099          | 61,862               | 55,528          | 38,206             | 55,088  | 57,355                 | 57,146                 |
| Vote 5 - Governance                           |     | 618,867         | 658,642         | 934,009         | 878,894              | 960,851         | 1,034,453          | 697,985   | 738,898                | 780,098                |
| Vote 6 - Corporate and Human Resources        |     | 391,201         | 428,927         | 496,778         | 591,433              | 597,156         | 601,210            | 653,665   | 698,074                | 741,687                |
| Vote 7 - Economic Development & Planning      |     | 803,916         | 951,652         | 1,007,175       | 1,125,131            | 1,140,648       | 1,097,725          | 1,178,522   | 1,254,230              | 1,318,521              |
| Vote 8 - Community and Emergency Services     |     | 2,494,355       | 2,767,259       | 3,467,796       | 3,923,822            | 3,924,822       | 3,908,995          | 4,085,290   | 4,384,852              | 4,655,854              |
| Vote 9 - Human Settlements and Infrastructure |     | 2,243,201       | 2,758,137       | 2,804,661       | 3,240,728            | 3,266,158       | 3,281,676          | 3,732,497   | 4,098,869              | 4,179,761              |
| Vote 10 - Trading Services                    |     | 16,507,421      | 16,977,971      | 18,986,445      | 20,306,711           | 20,298,012      | 20,331,011         | 22,636,259  | 24,513,058             | 26,158,632             |
| Vote 11 - Durban ICC                          |     | 166,572         | 205,293         | 165,295         | 187,879              | 182,642         | 182,642            | 195,767   | 206,498                | 219,034                |
| Vote 12 - USHAKA MARINE                       |     | 289,130         | 309,338         | 312,474         | 347,652              | 329,204         | 329,204            | 349,747   | 363,722                | 388,367                |
| Total Expenditure by Vote                     | 2   | 28,117,379      | 31,344,779      | 33,734,444      | 35,227,111           | 35,417,436      | 35,454,572         | 38,728,895  | 41,740,469             | 44,191,658             |
| Surplus/(Deficit) for the year                | 2   | 4,256,392       | 2,194,432       | 1,965,404       | 3,441,673            | 3,417,011       | 3,471,158          | 4,043,322   | 5,169,638              | 6,853,950              |

**EXPLANATORY NOTES TO MBRR TABLE A3 - BUDGETED FINANCIAL PERFORMANCE ( REVENUE AND EXPENDITURE BY MUNICIPAL VOTE )**

Table A3 shows budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the City.

ETH eThekweni - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

| Description   | Ref  | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |      | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  | 1    |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Revenue By Source   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Property rates  | 2    | 6,219,986       | 6,570,118       | 7,673,349       | 7,497,289            | 7,617,289       | 7,617,289          | 8,200,000   | 8,765,800              | 9,370,640              |
| Service charges - electricity revenue   | 2    | 11,295,514      | 12,109,097      | 12,226,261      | 13,124,496           | 13,124,496      | 12,887,862         | 14,572,306  | 16,320,983             | 17,545,057             |
| Service charges - water revenue   | 2    | 2,759,678       | 3,130,213       | 3,337,148       | 4,409,604            | 4,409,604       | 4,427,689          | 5,099,036   | 5,871,616              | 6,761,259              |
| Service charges - sanitation revenue  | 2    | 805,590         | 736,116         | 933,247         | 1,075,290            | 1,075,290       | 1,140,749          | 1,243,249   | 1,363,869              | 1,496,256              |
| Service charges - refuse revenue  | 2    | 556,239         | 559,478         | 654,434         | 727,158              | 727,158         | 761,944            | 837,184   | 919,863                | 1,010,597              |
| Service charges - Other   | 2    | 180,251         | 36,898          |                 |                      | -               |                    |   |                        |                        |
| Rental of facilities and equipment  |      | 538,047         | 578,745         | 760,041         | 951,325              | 940,648         | 935,915            | 1,002,729   | 1,072,263              | 1,147,392              |
| Interest earned - external investments  |      | 540,599         | 664,334         | 598,038         | 455,655              | 520,153         | 521,413            | 510,324   | 539,058                | 591,839                |
| Interest earned - outstanding debtors   |      | 359,569         | 276,982         | 455,764         | 342,903              | 377,903         | 653,689            | 497,652   | 525,824                | 552,115                |
| Dividends received  |      | -               |                 |                 |                      | -               |                    |   |                        |                        |
| Fines, penalties and forfeits   |      | 591,392         | 389,454         | 435,931         | 72,791               | 72,791          | 56,957             | 76,001  | 79,732                 | 83,654                 |
| Licences and permits  |      | 40,912          | 47,340          | 48,868          | 40,688               | 40,688          | 41,908             | 42,827  | 44,610                 | 46,478                 |
| Agency services   |      | 10,186          | 10,931          | 11,785          | 15,532               | 15,532          | 15,532             | 16,308  | 17,124                 | 17,980                 |
| Transfers and subsidies   |      | 2,439,256       | 2,716,460       | 5,333,730       | 5,736,952            | 5,773,032       | 5,815,284          | 6,417,208   | 6,884,940              | 7,551,378              |
| Other revenue   | 2    | 2,696,395       | 2,745,006       | 590,797         | 703,864              | 650,055         | 633,320            | 742,017   | 800,299                | 847,447                |
| Gains on disposal of PPE  |      | 9,125           |                 |                 | 21,916               | 21,916          | 15,374             | 20,665  | 20,789                 | 21,175                 |
| Total Revenue (excluding capital transfers and contributions)   |      | 29,042,739      | 30,571,173      | 33,059,393      | 35,175,463           | 35,366,555      | 35,524,925         | 39,277,508  | 43,226,769             | 47,043,268             |
| Expenditure By Type   |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Employee related costs  | 2    | 8,251,752       | 8,860,255       | 10,081,933      | 10,470,211           | 10,573,522      | 10,252,311         | 11,544,074  | 12,362,660             | 13,207,097             |
| Remuneration of councillors   |      | 105,334         | 110,934         | 119,344         | 132,014              | 132,014         | 128,218            | 134,127   | 140,322                | 146,826                |
| Debt impairment   | 3    | 1,391,264       | 2,059,099       | 2,076,465       | 891,525              | 891,527         | 1,484,662          | 1,072,570   | 1,345,320              | 1,517,014              |
| Depreciation & asset impairment   | 2    | 1,972,414       | 2,188,667       | 2,311,697       | 2,554,436            | 2,544,294       | 2,544,297          | 2,700,663   | 2,951,803              | 2,804,242              |
| Finance charges   |      | 968,805         | 897,959         | 852,320         | 857,779              | 857,779         | 804,205            | 974,356   | 910,007                | 947,200                |
| Bulk purchases  | 2    | 9,464,736       | 10,099,008      | 10,433,650      | 11,290,762           | 11,290,762      | 11,138,900         | 12,993,039  | 14,384,032             | 15,525,439             |
| Other materials   | 8    | 51,207          | 133,757         | 1,024,886       | 1,193,595            | 1,247,468       | 1,160,877          | 1,150,518   | 1,215,448              | 1,303,434              |
| Contracted services   |      | 3,652,432       | 4,024,831       | 4,559,772       | 5,148,311            | 5,176,907       | 5,057,575          | 5,150,251   | 5,192,312              | 5,349,906              |
| Transfers and subsidies   |      | 208,921         | 282,815         | 397,901         | 481,898              | 492,858         | 465,733            | 506,730   | 543,328                | 583,177                |
| Other expenditure   | 4, 5 | 2,044,226       | 2,683,959       | 1,871,423       | 2,205,641            | 2,209,787       | 2,417,434          | 2,502,082   | 2,694,806              | 2,806,931              |
| Loss on disposal of PPE   |      | 2,458           | 280             | 4,619           | 939                  | 516             | 362                | 482   | 431                    | 391                    |
| Total Expenditure   |      | 28,113,549      | 31,341,563      | 33,734,010      | 35,227,111           | 35,417,435      | 35,454,573         | 38,728,894  | 41,740,468             | 44,191,658             |
| Surplus/(Deficit)   |      | 929,191         | (770,391)       | (674,617)       | (51,648)             | (50,880)        | 70,352             | 548,614   | 1,486,300              | 2,851,610              |
| Transfers and subsidies - capital (monetary allocations) (National /  |      | 3,331,032       | 2,968,039       | 2,640,456       | 3,493,321            | 3,467,891       | 3,400,806          | 3,494,707   | 3,683,338              | 4,002,340              |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Transfers and subsidies - capital (in-kind - all) | 6    | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Surplus/(Deficit) after capital transfers & contributions   |      | 4,260,222       | 2,197,648       | 1,965,839       | 3,441,673            | 3,417,011       | 3,471,159          | 4,043,322   | 5,169,638              | 6,853,950              |
| Taxation  |      | 3,830           | 3,216           | 435             |                      |                 |                    |   |                        |                        |
| Surplus/(Deficit) after taxation  |      | 4,256,392       | 2,194,432       | 1,965,404       | 3,441,673            | 3,417,011       | 3,471,159          | 4,043,322   | 5,169,638              | 6,853,950              |
| Attributable to minorities  |      |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Surplus/(Deficit) attributable to Share of surplus/ (deficit) of  | 7    | 4,256,392       | 2,194,432       | 1,965,404       | 3,441,673            | 3,417,011       | 3,471,159          | 4,043,322   | 5,169,638              | 6,853,950              |
| Surplus/(Deficit) for the year  |      | 4,256,392       | 2,194,432       | 1,965,404       | 3,441,673            | 3,417,011       | 3,471,159          | 4,043,322   | 5,169,638              | 6,853,950              |

Table A4 is a view of the budgeted financial performance in relation to the revenue by source and expenditure by type.

*Section 1.4 provides explanatory details on the operating revenue framework.*

| Vote Description                                  | Ref      | 2015/16          | 2016/17          | 2017/18          | Current Year 2018/19 |                  |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|----------|------------------|------------------|------------------|----------------------|------------------|--------------------|---|------------------------|------------------------|
|   |          | Audited Outcome  | Audited Outcome  | Audited Outcome  | Original Budget      | Adjusted Budget  | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>R thousand</b>                                 | <b>1</b> |                  |                  |                  |                      |                  |                    |   |                        |                        |
| <b>Capital expenditure - Vote</b>                 |          |                  |                  |                  |                      |                  |                    |   |                        |                        |
| <b>Multi-year expenditure to be appropriated</b>  | <b>2</b> |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Vote 1 - Office of the City Manager               |          | -                | 168,686          | 223,787          | 420,999              | 196,894          | 187,049            | 297,284   | 411,514                | 408,263                |
| Vote 2 - City Manager's Operations                |          | -                | 3,658            | -                | 13,120               | 3,590            | 3,411              | 31,050  | 17,460                 | 11,690                 |
| Vote 3 - Finance                                  |          | 67,600           | 75,557           | 58,275           | 70,127               | 34,366           | 32,648             | 89,309  | 73,004                 | 72,845                 |
| Vote 4 - Office of the Strategic Management       |          | -                | 137              | -                | -                    | -                | -                  | -   | -                      | -                      |
| Vote 5 - Governance                               |          | -                | 16,276           | 1,856            | 21,814               | 14,214           | 13,503             | 13,225  | 48,550                 | 39,201                 |
| Vote 6 - Corporate and Human Resources            |          | -                | -                | -                | 3,410                | 3,685            | 3,501              | 2,575   | 8,435                  | 7,832                  |
| Vote 7 - Economic Development & Planning          |          | 200,968          | 249,530          | 270,154          | 428,777              | 407,810          | 387,419            | 440,037   | 481,343                | 457,270                |
| Vote 8 - Community and Emergency Services         |          | 197,957          | 202,072          | 158,402          | 468,748              | 471,410          | 447,840            | 533,925   | 535,099                | 503,535                |
| Vote 9 - Human Settlements and Infrastructure     |          | 2,400,193        | 2,428,928        | 1,757,748        | 3,037,228            | 2,871,510        | 2,727,935          | 3,092,780   | 3,165,784              | 3,064,719              |
| Vote 10 - Trading Services                        |          | 1,731,886        | 2,135,651        | 1,814,787        | 2,193,479            | 2,130,971        | 2,024,423          | 2,178,992   | 2,240,434              | 2,101,740              |
| <b>Capital multi-year expenditure sub-total</b>   | <b>7</b> | <b>4,598,604</b> | <b>5,280,494</b> | <b>4,285,009</b> | <b>6,657,702</b>     | <b>6,134,450</b> | <b>5,827,727</b>   | <b>6,679,177</b>                                    | <b>6,981,623</b>       | <b>6,667,095</b>       |
| <b>Single-year expenditure to be appropriated</b> | <b>2</b> |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Vote 1 - Office of the City Manager               |          | 159,212          | -                | 10,420           | 5,197                | 57,345           | 54,477             | 98,608  | 99,425                 | 78,284                 |
| Vote 2 - City Manager's Operations                |          | 8,537            | -                | 4,407            | 994                  | 1,438            | 1,366              | 17,037  | 14,745                 | 1,563                  |
| Vote 3 - Finance                                  |          | 48,938           | 66,895           | 215,402          | 120,967              | 173,392          | 164,721            | 336,395   | 326,550                | 322,446                |
| Vote 4 - Office of the Strategic Management       |          | -                | -                | 30               | -                    | -                | -                  | 69  | 518                    | 492                    |
| Vote 5 - Governance                               |          | 9,953            | 7,540            | 20,299           | 2,778                | 10,928           | 10,382             | 14,195  | 22,054                 | 27,875                 |
| Vote 6 - Corporate and Human Resources            |          | 8,957            | 1,839            | 6,698            | 1,890                | 12,108           | 11,503             | 1,941   | 19,998                 | 19,179                 |
| Vote 7 - Economic Development & Planning          |          | 4,992            | 214              | 9,953            | 3,838                | 20,706           | 19,671             | 5,815   | 7,113                  | 6,398                  |
| Vote 8 - Community and Emergency Services         |          | 6,973            | 168              | 41,728           | 110,772              | 91,365           | 86,797             | 82,095  | 66,787                 | 68,257                 |
| Vote 9 - Human Settlements and Infrastructure     |          | 3,943            | 1,967            | 6,389            | 7,938                | 66,089           | 62,785             | 166,002   | 217,128                | 200,553                |
| Vote 10 - Trading Services                        |          | 12,334           | 60,713           | 183,064          | 117,254              | 461,510          | 438,434            | 348,230   | 176,949                | 199,049                |
| REF!  |          | 17,789           | 23,906           | 13,811           | 56,301               | 60,410           | 60,410             | 54,248  | 28,418                 | 29,940                 |
| REF!  |          | 22,692           | 22,692           | 11,218           | 24,530               | 10,620           | 10,620             | 50,792  | 47,000                 | 53,000                 |
| <b>Capital single-year expenditure sub-total</b>  |          | <b>304,319</b>   | <b>185,935</b>   | <b>523,419</b>   | <b>452,459</b>       | <b>965,911</b>   | <b>921,166</b>     | <b>1,175,427</b>                                    | <b>1,026,685</b>       | <b>1,007,036</b>       |
| <b>Total Capital Expenditure - Vote</b>           |          | <b>4,902,924</b> | <b>5,466,428</b> | <b>4,808,428</b> | <b>7,110,161</b>     | <b>7,100,361</b> | <b>6,748,894</b>   | <b>7,854,604</b>                                    | <b>8,008,308</b>       | <b>7,674,131</b>       |
| <b>Capital Expenditure - Functional</b>           |          |                  |                  |                  |                      |                  |                    |   |                        |                        |
| <b>Governance and administration</b>              |          | <b>304,978</b>   | <b>269,696</b>   | <b>539,260</b>   | <b>628,057</b>       | <b>747,596</b>   | <b>710,216</b>     | <b>822,107</b>                                      | <b>812,293</b>         | <b>780,762</b>         |
| Executive and council                             |          | 9,953            | 196,297          | 22,155           | 332,954              | 90,741           | 86,204             | 337,086   | 383,344                | 356,104                |
| Finance and administration                        |          | 295,025          | 72,888           | 516,641          | 294,896              | 655,532          | 622,756            | 484,855   | 428,597                | 424,288                |
| Internal audit                                    |          | -                | 511              | 464              | 207                  | 1,323            | 1,257              | 166   | 352                    | 370                    |
| <b>Community and public safety</b>                |          | <b>525,586</b>   | <b>783,540</b>   | <b>685,512</b>   | <b>1,787,157</b>     | <b>1,859,684</b> | <b>1,770,251</b>   | <b>1,973,690</b>                                    | <b>2,014,580</b>       | <b>1,910,601</b>       |
| Community and social services                     |          | 103,827          | 158,803          | 154,560          | 277,718              | 283,276          | 272,132            | 288,115   | 263,763                | 283,351                |
| Sport and recreation                              |          | 14,794           | 25,558           | 23,482           | 311,510              | 270,548          | 257,551            | 344,855   | 315,609                | 285,409                |
| Public safety                                     |          | 74,328           | 31,407           | 36,814           | 67,090               | 61,796           | 58,706             | 116,670   | 101,367                | 73,748                 |
| Housing   |          | 312,438          | 558,467          | 458,181          | 1,107,235            | 1,219,499        | 1,158,524          | 1,194,395   | 1,289,571              | 1,225,092              |
| Health  |          | 20,199           | 9,304            | 12,475           | 23,604               | 24,566           | 23,338             | 29,655  | 44,270                 | 43,001                 |
| <b>Economic and environmental services</b>        |          | <b>2,193,855</b> | <b>2,120,158</b> | <b>1,418,223</b> | <b>2,165,019</b>     | <b>1,802,372</b> | <b>1,712,254</b>   | <b>2,399,348</b>                                    | <b>2,639,371</b>       | <b>2,581,466</b>       |
| Planning and development                          |          | 200,576          | 249,698          | 291,069          | 318,289              | 317,549          | 301,672            | 361,837   | 420,012                | 402,688                |
| Road transport                                    |          | 1,993,279        | 1,870,460        | 1,127,154        | 1,838,413            | 1,476,856        | 1,403,013          | 2,023,921   | 2,209,039              | 2,174,395              |
| Environmental protection                          |          | -                | -                | -                | 8,317                | 7,967            | 7,569              | 13,590  | 10,320                 | 4,383                  |
| <b>Trading services</b>                           |          | <b>1,831,497</b> | <b>2,161,670</b> | <b>2,162,365</b> | <b>2,421,029</b>     | <b>2,581,470</b> | <b>2,452,397</b>   | <b>2,585,129</b>                                    | <b>2,479,750</b>       | <b>2,342,285</b>       |
| Energy sources                                    |          | 601,678          | 719,020          | 950,679          | 802,601              | 620,803          | 589,763            | 834,043   | 896,185                | 851,718                |
| Water management                                  |          | 561,852          | 670,678          | 549,600          | 804,368              | 735,993          | 699,193            | 852,318   | 704,684                | 669,450                |
| Waste water management                            |          | 592,347          | 718,169          | 554,881          | 714,586              | 1,125,195        | 1,068,936          | 94,598  | 154,398                | 128,815                |
| Waste management                                  |          | 75,620           | 53,803           | 107,205          | 99,474               | 99,479           | 94,505             | 804,170   | 724,483                | 692,302                |
| <b>Other</b>                                      |          | <b>47,008</b>    | <b>131,365</b>   | <b>3,067</b>     | <b>108,900</b>       | <b>109,238</b>   | <b>103,776</b>     | <b>74,330</b>                                       | <b>62,314</b>          | <b>59,017</b>          |
| <b>Total Capital Expenditure - Functional</b>     | <b>3</b> | <b>4,902,924</b> | <b>5,466,428</b> | <b>4,808,427</b> | <b>7,110,162</b>     | <b>7,100,360</b> | <b>6,748,894</b>   | <b>7,854,604</b>                                    | <b>8,008,308</b>       | <b>7,674,131</b>       |
| <b>Funded by:</b>                                 |          |                  |                  |                  |                      |                  |                    |   |                        |                        |
| National Government                               |          | 3,226,740        | 2,872,575        | 2,540,629        | 2,833,976            | 2,822,546        | 2,822,546          | 2,877,249   | 2,955,696              | 3,187,106              |
| Provincial Government                             |          | 57,969           | 61,224           | 63,342           | 593,500              | 593,500          | 578,200            | 617,458   | 727,641                | 815,234                |
| District Municipality                             |          | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Other transfers and grants                        |          | 46,323           | 34,240           | 36,484           | -                    | -                | 60                 | -   | -                      | -                      |
| <b>Transfers recognised - capital</b>             | <b>4</b> | <b>3,331,032</b> | <b>2,968,039</b> | <b>2,640,456</b> | <b>3,427,476</b>     | <b>3,416,046</b> | <b>3,400,806</b>   | <b>3,494,707</b>                                    | <b>3,683,338</b>       | <b>4,002,340</b>       |
| <b>Borrowing</b>                                  | <b>6</b> | <b>-</b>         | <b>171,914</b>   | <b>199,499</b>   | <b>1,000,000</b>     | <b>1,188,800</b> | <b>1,188,800</b>   | <b>1,654,597</b>                                    | <b>1,000,000</b>       | <b>1,000,000</b>       |
| <b>Internally generated funds</b>                 |          | <b>1,571,893</b> | <b>2,326,475</b> | <b>1,968,472</b> | <b>2,682,686</b>     | <b>2,495,514</b> | <b>2,159,287</b>   | <b>2,705,300</b>                                    | <b>3,324,970</b>       | <b>2,671,791</b>       |
| <b>Total Capital Funding</b>                      | <b>7</b> | <b>4,902,925</b> | <b>5,466,428</b> | <b>4,808,427</b> | <b>7,110,162</b>     | <b>7,100,360</b> | <b>6,748,894</b>   | <b>7,854,604</b>                                    | <b>8,008,308</b>       | <b>7,674,131</b>       |

## EXPLANATORY NOTES TO TABLE A5 - BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING SOURCE

Table A5 reflects the city's capital programme in relation to capital expenditure by municipal vote (multi-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. Budget appropriations for the two outer years are indicative allocations based on departmental plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives of the city. The capital programme is funded mainly from grants and transfers, borrowings and internally generated funds.

ETH eThekweni - Table A6 Consolidated Budgeted Financial Position

| Description                              | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand                               |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| ASSETS                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current assets                           |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Cash                                     |     | 1,020,118       | 554,363         | 647,030         | 1,003,531            | 1,057,275       | 788,239            | 772,951   | 754,370                | 714,840                |
| Call investment deposits                 | 1   | 7,026,220       | 6,412,543       | 6,122,467       | 5,750,000            | 6,200,000       | 6,500,000          | 5,750,000   | 5,900,000              | 7,780,000              |
| Consumer debtors                         | 1   | 2,767,695       | 4,022,047       | 4,542,656       | 4,884,818            | 6,841,655       | 4,434,844          | 4,860,147   | 5,177,227              | 5,469,708              |
| Other debtors                            |     | 3,699,636       | 2,685,043       | 2,591,276       | 2,716,898            | 2,715,431       | 2,967,475          | 2,643,159   | 2,671,544              | 3,210,633              |
| Current portion of long-term receivables |     | 41,595          | 42,844          | 41,533          | 200,861              | 200,861         | 41,948             | 42,368  | 42,791                 | 43,219                 |
| Inventory                                | 2   | 504,682         | 598,623         | 709,346         | 479,099              | 479,597         | 596,320            | 607,343   | 619,596                | 632,699                |
| Total current assets                     |     | 15,059,946      | 14,315,463      | 14,654,308      | 15,035,207           | 17,494,819      | 15,328,826         | 14,675,968  | 15,165,528             | 17,851,099             |
| Non current assets                       |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Long-term receivables                    |     | 41,817          | 84,749          | 58,292          | 116,230              | 88,173          | 59,458             | 60,647  | 61,860                 | 63,097                 |
| Investments                              |     |                 |                 |                 |                      | -               |                    |   |                        |                        |
| Investment property                      |     | 305,276         | 292,120         | 267,253         | 353,209              | 350,639         | 260,990            | 261,455   | 256,360                | 252,257                |
| Investment in Associate                  |     |                 |                 |                 |                      | -               |                    |   |                        |                        |
| Property, plant and equipment            | 3   | 43,804,248      | 46,908,288      | 49,179,234      | 55,706,113           | 53,602,942      | 53,383,831         | 58,537,772  | 63,594,277             | 68,464,166             |
| Biological                               |     |                 |                 |                 |                      | -               |                    |   |                        |                        |
| Intangible                               |     | 898,195         | 990,617         | 821,723         | 1,001,459            | 1,001,459       | 826,695            | 832,897   | 837,710                | 842,843                |
| Other non-current assets                 |     | 29,649          | 25,454          | 1,377           | 970,504              | 969,388         | 959,648            | 978,841   | 998,417                | 1,018,386              |
| Total non current assets                 |     | 45,079,185      | 48,301,228      | 50,327,879      | 58,147,515           | 56,012,601      | 55,490,622         | 60,671,612  | 65,748,624             | 70,640,749             |
| TOTAL ASSETS                             |     | 60,139,131      | 62,616,691      | 64,982,187      | 73,182,722           | 73,507,420      | 70,819,448         | 75,347,580  | 80,914,152             | 88,491,847             |
| LIABILITIES                              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Current liabilities                      |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Bank overdraft                           | 1   | 830,009         | 369,556         | 382,790         | 380,273              | 380,273         | 331,996            | 369,958   | 441,196                | 377,190                |
| Borrowing                                | 4   | 1,065,702       | 793,528         | 874,388         | 961,886              | 961,886         | 770,126            | 949,342   | 829,762                | 804,474                |
| Consumer deposits                        |     | 1,945,529       | 2,173,402       | 2,291,756       | 2,285,133            | 2,351,151       | 2,351,151          | 2,410,795   | 2,470,361              | 2,529,417              |
| Trade and other payables                 | 4   | 6,950,455       | 7,364,065       | 7,350,788       | 6,826,978            | 6,815,324       | 7,174,026          | 6,943,997   | 7,031,130              | 7,022,525              |
| Provisions                               |     | 656,414         | 600,308         | 1,291,609       | 1,057,434            | 1,063,429       | 1,268,660          | 1,238,209   | 1,213,561              | 1,195,106              |
| Total current liabilities                |     | 11,448,109      | 11,300,859      | 12,191,331      | 11,511,704           | 11,572,063      | 11,895,959         | 11,912,301  | 11,986,010             | 11,928,712             |
| Non current liabilities                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Borrowing                                |     | 8,170,657       | 8,042,457       | 7,286,712       | 8,431,613            | 8,286,712       | 8,649,026          | 8,418,975   | 8,704,622              | 8,923,605              |
| Provisions                               |     | 3,819,916       | 4,155,292       | 4,656,869       | 4,289,706            | 5,978,473       | 4,754,689          | 4,851,926   | 4,955,268              | 5,062,768              |
| Total non current liabilities            |     | 11,990,573      | 12,197,749      | 11,943,581      | 12,721,319           | 14,265,185      | 13,403,715         | 13,270,901  | 13,659,890             | 13,986,373             |
| TOTAL LIABILITIES                        |     | 23,438,682      | 23,498,608      | 24,134,912      | 24,233,023           | 25,837,248      | 25,299,674         | 25,183,202  | 25,645,900             | 25,915,085             |
| NET ASSETS                               | 5   | 36,700,449      | 39,118,083      | 40,847,275      | 48,949,700           | 47,670,173      | 45,519,773         | 50,164,377  | 55,268,252             | 62,576,762             |
| COMMUNITY WEALTH/EQUITY                  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Accumulated Surplus/(Deficit)            |     | 32,490,843      | 34,870,522      | 37,424,163      | 46,372,250           | 45,092,723      | 41,781,989         | 46,796,344  | 52,965,198             | 60,768,671             |
| Reserves                                 | 4   | 4,209,606       | 4,247,561       | 3,423,112       | 2,577,449            | 2,577,449       | 3,737,784          | 3,368,033   | 2,303,053              | 1,808,092              |
| TOTAL COMMUNITY WEALTH/EQUITY            | 5   | 36,700,449      | 39,118,083      | 40,847,275      | 48,949,700           | 47,670,173      | 45,519,773         | 50,164,377  | 55,268,252             | 62,576,762             |

## EXPLANATORY NOTES TO TABLE A6 - BUDGETED FINANCIAL POSITION

Table A6 is consistent with international accounting standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

This format presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

Table A6 is supported by an extensive table of notes ( *Supporting Table SA3* ) providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Non-current Provisions;
- Changes in net assets; and
- Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

Movements on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These assumptions form a critical link in determining the applicability and relevance of the budget, as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

ETH eThekweni - Table A7 Consolidated Budgeted Cash Flows

| Description                                       | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|---|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|   |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| CASH FLOW FROM OPERATING ACTIVITIES               |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Property rates                                    |     | 6,332,869       | 6,570,118       | 7,673,349       | 7,122,425            | 7,242,425       | 7,236,425          | 7,790,000   | 8,327,510              | 8,902,108              |
| Service charges                                   |     | 15,597,272      | 16,571,802      | 16,984,311      | 18,369,720           | 18,369,720      | 17,989,520         | 20,664,188  | 23,252,515             | 25,472,512             |
| Other revenue                                     |     | 1,915,893       | 1,981,766       | 85,380          | 1,763,289            | 1,711,824       | 1,960,371          | 1,879,882   | 2,014,028              | 2,142,950              |
| Government - operating                            | 1   | 2,439,256       | 2,783,075       | 5,333,730       | 5,736,952            | 5,773,032       | 5,763,349          | 6,417,208   | 6,884,940              | 7,551,378              |
| Government - capital                              | 1   | 3,331,031       | 2,968,039       | 2,640,456       | 3,493,321            | 3,467,891       | 3,452,651          | 3,494,707   | 3,683,338              | 4,002,340              |
| Interest  |     | 787,285         | 799,791         | 1,053,802       | 798,558              | 898,056         | 1,175,102          | 1,007,976   | 1,064,881              | 1,143,954              |
| Dividends   |     |                 |                 |                 |                      |                 |                    | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Suppliers and employees                           |     | (22,188,607)    | (25,373,843)    | (27,345,015)    | (30,402,269)         | (30,489,597)    | (30,226,209)       | (32,703,176)  | (35,880,997)           | (38,306,388)           |
| Finance charges                                   |     | (968,805)       | (897,959)       | (852,320)       | (857,779)            | (857,779)       | (804,138)          | (974,356)   | (910,356)              | (947,200)              |
| Transfers and Grants                              | 1   | (208,921)       | (282,815)       | (397,901)       | (481,898)            | (492,858)       | (466,499)          | (506,015)   | (542,703)              | (582,645)              |
| NET CASH FROM/(USED) OPERATING ACTIVITIES         |     | 7,037,273       | 5,119,974       | 5,175,791       | 5,542,319            | 5,622,713       | 6,080,573          | 7,070,414   | 7,893,155              | 9,379,010              |
| CASH FLOWS FROM INVESTING ACTIVITIES              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Proceeds on disposal of PPE                       |     | 14,543          | 11,960          | 5,157           | 21,916               | 21,916          | 21,916             | 20,665  | 20,789                 | 21,175                 |
| Decrease (Increase) in non-current debtors        |     | 10,318          |                 |                 | (21,440)             | (21,440)        | (1,166)            | (1,189)   | (1,213)                | (1,237)                |
| Decrease (increase) other non-current receivables |     | -               | (44,181)        | (6,707)         | (19,030)             | (19,030)        | (19,030)           | (19,193)  | (19,576)               | (19,969)               |
| Decrease (increase) in non-current investments    |     |                 |                 |                 | (68,150)             | (68,150)        | 6,263              | (465)   | 5,095                  | 4,103                  |
| Payments  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Capital assets                                    |     | (4,916,410)     | (5,306,358)     | (4,699,857)     | (7,110,161)          | (7,100,360)     | (6,748,894)        | (7,854,604)   | (8,008,308)            | (7,674,131)            |
| NET CASH FROM/(USED) INVESTING ACTIVITIES         |     | (4,891,549)     | (5,338,579)     | (4,701,407)     | (7,196,865)          | (7,187,064)     | (6,740,911)        | (7,854,786)   | (8,003,213)            | (7,670,059)            |
| CASH FLOWS FROM FINANCING ACTIVITIES              |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Receipts  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Short term loans                                  |     |                 |                 |                 |                      | -               |                    | -   | -                      | -                      |
| Borrowing long term/refinancing                   |     | -               | 700,000         |                 | 1,000,000            | 1,000,000       | 2,000,000          | 1,500,000   | 1,000,000              | 1,000,000              |
| Increase (decrease) in consumer deposits          |     |                 | -               |                 | 55,065               | 65,290          |                    | -   | -                      | -                      |
| Payments  |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Repayment of borrowing                            |     | (1,096,160)     | (1,100,374)     | (674,885)       | (786,086)            | (786,086)       | (770,126)          | (949,342)   | (829,762)              | (804,474)              |
| NET CASH FROM/(USED) FINANCING ACTIVITIES         |     | (1,096,160)     | (400,374)       | (674,885)       | 268,979              | 279,204         | 1,229,874          | 550,658   | 170,238                | 195,526                |
| NET INCREASE/ (DECREASE) IN CASH HELD             |     | 1,049,564       | (618,979)       | (200,501)       | (1,385,567)          | (1,285,146)     | 569,536            | (233,714)   | 60,180                 | 1,904,477              |
| Cash/cash equivalents at the year begin:          | 2   | 6,166,765       | 7,216,329       | 6,587,208       | 6,156,463            | 6,386,707       | 6,386,707          | 6,386,707   | 6,152,993              | 6,213,174              |
| Cash/cash equivalents at the year end:            | 2   | 7,216,329       | 6,597,350       | 6,386,707       | 4,770,896            | 5,101,561       | 6,956,243          | 6,152,993   | 6,213,174              | 8,117,650              |

TABLE A7 - BUDGETED CASH FLOW STATEMENT

The table shows the cash and cash equivalent of the city during the 2019/20 MTERF. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The budgeted cash flow statement is the first measurement in determining if the budget is funded. The 2019/20 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term. Cash and cash equivalents totals R 6.9 billion as at the end of the 2018/19 financial year and is projected to increase to R 8.1 billion by 2021/2022.

ETH eThekweni - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

| Description                                | Ref | 2015/16   | 2016/17   | 2017/18   | Current Year 2018/19 |             |           | 2019/20 Medium Term Revenue & Expenditure Framework |             |             |
|--|-----|-----------|-----------|-----------|----------------------|-------------|-----------|---|-------------|-------------|
|  |     | Audited   | Audited   | Audited   | Original             | Adjusted    | Full Year | Budget Year   | Budget Year | Budget Year |
|  |     | Outcome   | Outcome   | Outcome   | Budget               | Budget      | Forecast  | 2019/20   | +1 2020/21  | +2 2021/22  |
| R thousand                                 |     |           |           |           |                      |             |           |   |             |             |
| Cash and investments available             |     |           |           |           |                      |             |           |   |             |             |
| Cash/cash equivalents at the year end      | 1   | 7,216,329 | 6,597,350 | 6,386,707 | 4,770,896            | 5,101,561   | 6,956,243 | 6,152,993   | 6,213,174   | 8,117,650   |
| Other current investments > 90 days        |     | -         | -         | (0)       | 1,602,362            | 1,775,442   | 0         | (0)   | 0           | (0)         |
| Non current assets - Investments           | 1   | -         | -         | -         | -                    | -           | -         | -   | -           | -           |
| Cash and investments available:            |     | 7,216,329 | 6,597,350 | 6,386,707 | 6,373,258            | 6,877,002   | 6,956,243 | 6,152,993   | 6,213,174   | 8,117,650   |
| Application of cash and investments        |     |           |           |           |                      |             |           |   |             |             |
| Unspent conditional transfers              |     | 749,320   | 867,988   | 1,269,669 | 225,000              | 225,000     | 750,000   | 320,000   | 315,000     | 310,000     |
| Unspent borrowing                          |     | -         | -         | -         | -                    | -           | -         | -   | -           | -           |
| Statutory requirements                     | 2   |           |           |           |                      |             |           |   |             |             |
| Other working capital requirements         | 3   | 184,814   | 220,474   | (478,891) | (661,459)            | (2,481,399) | (529,638) | (473,137)   | (710,797)   | (1,499,881) |
| Other provisions                           |     | 656,414   | 600,308   | 1,291,609 | 1,057,434            | 1,063,429   | 1,268,660 | 1,238,209   | 1,213,561   | 1,195,106   |
| Long term investments committed            | 4   | -         | -         | -         | -                    | -           | -         | -   | -           | -           |
| Reserves to be backed by cash/investments  | 5   | 4,209,606 | 4,247,561 | 3,389,821 | 2,577,449            | 2,577,449   | 3,737,784 | 3,368,033   | 2,303,053   | 1,808,092   |
| Total Application of cash and investments: |     | 5,800,154 | 5,936,331 | 5,472,208 | 3,198,425            | 1,384,480   | 5,226,806 | 4,453,106   | 3,120,817   | 1,813,317   |
| Surplus(shortfall)                         |     | 1,416,175 | 661,019   | 914,499   | 3,174,834            | 5,492,523   | 1,729,437 | 1,699,887   | 3,092,357   | 6,304,333   |

**TABLE A8 - CASH BACKED RESERVES/ACCUMULATED SURPLUS RECONCILIATION**

The cash back reserves/accumulated surplus reconciliation is aligned to the requirements of the MFMA Circular 42.

In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

From the table it can be seen that the city remains in a surplus net cash flow position for the period 2019/20 to 2021/22. This shows that the cash and investments available exceed the applications indicating compliance with the MFMA requirements that the municipality's budget is "funded". As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF, the end objective of the medium-term framework was to ensure the budget is funded & aligned to Section 18 of the MFMA.

ETH eThekweni - Table A9 Consolidated Asset Management

| Description                                  | Ref | 2015/16         | 2016/17         | 2017/18         | Current Year 2018/19 |                 |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|------------------------|------------------------|
|  |     | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget      | Adjusted Budget | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| R thousand                                   |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| CAPITAL EXPENDITURE                          |     |                 |                 |                 |                      |                 |                    |   |                        |                        |
| Total New Assets                             | 1   | 3,135,125       | 1,861,507       | 2,693,536       | 3,733,892            | 3,848,291       | 3,655,596          | 4,709,840   | 4,270,569              | 4,713,883              |
| Roads Infrastructure                         |     | 137,218         | 294,544         | 432,213         | 1,087,720            | 966,251         | 917,938            | 1,365,807   | 924,766                | 1,355,780              |
| Storm water Infrastructure                   |     | 59,321          | 75,462          | 79,248          | 17,000               | 26,100          | 24,795             | 52,950  | 41,310                 | 29,800                 |
| Electrical Infrastructure                    |     | 404,509         | 155,251         | 324,027         | 384,128              | 312,621         | 296,990            | 442,842   | 376,600                | 389,911                |
| Water Supply Infrastructure                  |     | 397,143         | 170,360         | 285,538         | 467,217              | 380,518         | 361,492            | 475,600   | 345,724                | 269,232                |
| Sanitation Infrastructure                    |     | 481,299         | 328,241         | 295,845         | 205,765              | 227,412         | 216,041            | 191,860   | 206,714                | 276,801                |
| Solid Waste Infrastructure                   |     | 22,795          | 2,814           | 766             | 43,000               | 16,947          | 16,100             | 10,500  | 55,150                 | 48,650                 |
| Rail Infrastructure                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Coastal Infrastructure                       |     | -               | -               | -               | 10,793               | 60,755          | 57,717             | 11,000  | 10,987                 | 10,438                 |
| Information and Communication Infrastructure |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                               |     | 1,502,285       | 1,026,672       | 1,417,637       | 2,215,623            | 1,990,604       | 1,891,074          | 2,550,559   | 1,961,251              | 2,380,612              |
| Community Facilities                         |     | 1,341,257       | 287,049         | 122,564         | 201,350              | 173,634         | 164,952            | 316,101   | 433,640                | 360,806                |
| Sport and Recreation Facilities              |     | 2,956           | 248,014         | -               | 88,053               | 53,857          | 51,164             | 55,397  | 40,078                 | 43,256                 |
| Community Assets                             |     | 1,344,213       | 535,063         | 122,564         | 289,403              | 227,491         | 216,116            | 371,498   | 473,718                | 404,062                |
| Heritage Assets                              |     | -               | 1,095           | -               | 17,902               | 17,902          | 17,007             | 10,000  | 24,917                 | 23,000                 |
| Revenue Generating                           |     | -               | -               | -               | -                    | -               | -                  | 1   | 1                      | 1                      |
| Non-revenue Generating                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                        |     | -               | -               | -               | -                    | -               | -                  | 1   | 1                      | 1                      |
| Operational Buildings                        |     | 107,337         | -               | 79,506          | 96,721               | 108,709         | 102,994            | 56,190  | 85,518                 | 109,140                |
| Housing                                      |     | 10,950          | -               | 551,176         | 563,500              | 548,863         | 521,420            | 623,491   | 681,000                | 739,500                |
| Other Assets                                 |     | 118,287         | -               | 630,682         | 660,221              | 657,572         | 624,413            | 679,681   | 766,518                | 848,640                |
| Biological or Cultivated Assets              |     | -               | -               | 3,754           | -                    | -               | -                  | -   | -                      | -                      |
| Servitudes                                   |     | -               | -               | -               | 1,800                | 1,800           | 1,710              | -   | -                      | -                      |
| Licences and Rights                          |     | 3,848           | -               | 125,900         | 37,782               | 71,371          | 67,802             | 159,224   | 94,469                 | 68,523                 |
| Intangible Assets                            |     | 3,848           | -               | 125,900         | 39,582               | 73,171          | 69,512             | 159,224   | 94,469                 | 68,523                 |
| Computer Equipment                           |     | 38,777          | 42,330          | 105,587         | 17,808               | 114,779         | 109,040            | 67,168  | 45,682                 | 51,151                 |
| Furniture and Office Equipment               |     | -               | 33,501          | 30,330          | 70,982               | 79,453          | 75,480             | 60,250  | 50,296                 | 54,403                 |
| Machinery and Equipment                      |     | 58,915          | 103,972         | 72,824          | 214,185              | 150,639         | 143,107            | 249,987   | 204,543                | 205,309                |
| Transport Assets                             |     | 68,801          | 118,874         | 184,258         | 208,186              | 498,284         | 473,370            | 556,087   | 559,537                | 560,509                |
| Land   |     | -               | -               | -               | -                    | 38,396          | 36,476             | 5,385   | 89,637                 | 117,673                |
| Zoo's, Marine and Non-biological Animals     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Total Renewal of Existing Assets             | 2   | 1,506,606       | 3,604,921       | 998,596         | 1,051,559            | 486,102         | 461,797            | 930,686   | 1,071,081              | 836,044                |
| Roads Infrastructure                         |     | 290,795         | 1,787,088       | 339,116         | 387,230              | 83,600          | 79,420             | 423,249   | 261,054                | 297,138                |
| Storm water Infrastructure                   |     | 20,777          | 76,095          | -               | -                    | 4,482           | 4,258              | -   | 1,800                  | 7,200                  |
| Electrical Infrastructure                    |     | 72,169          | 702,891         | 31,803          | 158,500              | 81,810          | 77,720             | 143,536   | 132,603                | 132,761                |
| Water Supply Infrastructure                  |     | 108,435         | 580,616         | 36,648          | 100,344              | 36,966          | 35,118             | 59,200  | 32,250                 | 30,700                 |
| Sanitation Infrastructure                    |     | 14,765          | 384,524         | 1,592           | 17,880               | 10,162          | 9,654              | 12,600  | 36,000                 | 43,100                 |
| Solid Waste Infrastructure                   |     | 437             | 9,354           | 8,525           | 20,000               | 41,022          | 38,971             | 28,475  | 29,800                 | 16,190                 |
| Rail Infrastructure                          |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Coastal Infrastructure                       |     | -               | -               | 83,696          | 34,777               | 14,777          | 14,038             | 59,544  | 30,013                 | 28,512                 |
| Information and Communication Infrastructure |     | -               | 25,622          | -               | -                    | -               | -                  | -   | -                      | -                      |
| Infrastructure                               |     | 507,377         | 3,566,190       | 501,380         | 718,731              | 272,819         | 259,178            | 726,604   | 523,520                | 555,607                |
| Community Facilities                         |     | 212,528         | -               | 11,466          | 256,419              | 141,448         | 134,376            | 112,242   | 460,278                | 183,354                |
| Sport and Recreation Facilities              |     | 14,689          | -               | -               | 11,347               | 7,625           | 7,244              | 28,613  | 28,264                 | 41,115                 |
| Community Assets                             |     | 227,217         | -               | 11,466          | 267,766              | 149,073         | 141,619            | 140,855   | 488,542                | 224,469                |
| Heritage Assets                              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Revenue Generating                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Non-revenue Generating                       |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Investment properties                        |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Operational Buildings                        |     | 463,453         | 32,368          | 485,733         | 43,364               | 58,202          | 55,482             | 31,761  | 36,925                 | 26,015                 |
| Housing                                      |     | 286,496         | -               | -               | 2,198                | 2,198           | 2,088              | 1,466   | 1,094                  | 3,959                  |
| Other Assets                                 |     | 749,948         | 32,368          | 485,733         | 45,562               | 60,400          | 57,570             | 33,227  | 38,019                 | 29,974                 |
| Biological or Cultivated Assets              |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Servitudes                                   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Licences and Rights                          |     | 22,064          | -               | 17              | 19,300               | 3,610           | 3,240              | 30,000  | 21,000                 | 26,000                 |
| Intangible Assets                            |     | 22,064          | -               | 17              | 19,300               | 3,610           | 3,240              | 30,000  | 21,000                 | 26,000                 |
| Computer Equipment                           |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Furniture and Office Equipment               |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Machinery and Equipment                      |     | -               | -               | -               | 200                  | 200             | 190                | -   | -                      | -                      |
| Transport Assets                             |     | -               | 6,364           | -               | -                    | -               | -                  | -   | -                      | -                      |
| Land   |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |
| Zoo's, Marine and Non-biological Animals     |     | -               | -               | -               | -                    | -               | -                  | -   | -                      | -                      |

|   |   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total Upgrading of Existing Assets</b>           | 6 | 261,193           | -                 | 1,116,296         | 2,324,711         | 2,765,967         | 2,631,501         | 2,214,079         | 2,666,658         | 2,124,204         |
| <i>Roads Infrastructure</i>                         |   | 124,626           | -                 | 545,322           | 860,712           | 994,878           | 945,134           | 725,963           | 1,107,845         | 817,503           |
| <i>Storm water Infrastructure</i>                   |   | 8,904             | -                 | 51,704            | 151,686           | 204,817           | 194,576           | 146,270           | 78,000            | 79,001            |
| <i>Electrical Infrastructure</i>                    |   | 30,930            | -                 | 246,614           | 179,348           | 196,704           | 186,869           | 110,166           | 273,099           | 270,310           |
| <i>Water Supply Infrastructure</i>                  |   | 35,813            | -                 | 29,457            | 176,951           | 106,384           | 101,065           | 214,518           | 209,410           | 201,018           |
| <i>Sanitation Infrastructure</i>                    |   | 6,328             | -                 | 87,608            | 330,155           | 658,245           | 625,333           | 401,790           | 375,486           | 262,354           |
| <i>Solid Waste Infrastructure</i>                   |   | 187               | -                 | 1,609             | 22,989            | 23,646            | 22,464            | 20,800            | 42,500            | 21,890            |
| <i>Rail Infrastructure</i>                          |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <i>Coastal Infrastructure</i>                       |   | -                 | -                 | -                 | 44,430            | 55,065            | 52,312            | 14,456            | 24,000            | 22,801            |
| <i>Information and Communication Infrastructure</i> |   | -                 | -                 | -                 | 30,098            | 8,134             | 7,727             | 27,064            | 24,967            | 33,719            |
| <b>Infrastructure</b>                               |   | <b>206,788</b>    | -                 | <b>962,314</b>    | <b>1,796,369</b>  | <b>2,247,873</b>  | <b>2,135,479</b>  | <b>1,661,027</b>  | <b>2,135,307</b>  | <b>1,708,596</b>  |
| Community Facilities                                |   | 44,948            | -                 | 72,476            | 200,792           | 101,208           | 99,980            | 202,144           | 148,250           | 82,441            |
| Sport and Recreation Facilities                     |   | -                 | -                 | 12,103            | 24,060            | 37,904            | 36,009            | 27,870            | 24,300            | 24,500            |
| <b>Community Assets</b>                             |   | <b>44,948</b>     | -                 | <b>84,579</b>     | <b>224,852</b>    | <b>139,112</b>    | <b>135,988</b>    | <b>230,014</b>    | <b>172,550</b>    | <b>106,947</b>    |
| <b>Heritage Assets</b>                              |   | -                 | -                 | <b>3,607</b>      | <b>900</b>        | <b>4,162</b>      | <b>3,954</b>      | <b>350</b>        | -                 | -                 |
| Revenue Generating                                  |   | -                 | -                 | -                 | 7,903             | 7,903             | 7,508             | 26,358            | 19,600            | 19,116            |
| Non-revenue Generating                              |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Investment properties</b>                        |   | -                 | -                 | -                 | <b>7,903</b>      | <b>7,903</b>      | <b>7,508</b>      | <b>26,358</b>     | <b>19,600</b>     | <b>19,116</b>     |
| Operational Buildings                               |   | -                 | -                 | 15,008            | 142,035           | 148,148           | 140,741           | 130,241           | 168,830           | 164,233           |
| Housing   |   | -                 | -                 | 48,388            | 88,780            | 111,180           | 105,621           | 83,969            | 91,167            | 64,000            |
| <b>Other Assets</b>                                 |   | -                 | -                 | <b>63,396</b>     | <b>230,815</b>    | <b>259,328</b>    | <b>246,362</b>    | <b>214,210</b>    | <b>259,997</b>    | <b>228,233</b>    |
| Licences and Rights                                 |   | 9,456             | -                 | 1,608             | 10,705            | 39,612            | 37,631            | 14,953            | 14,657            | 13,974            |
| <b>Intangible Assets</b>                            |   | <b>9,456</b>      | -                 | <b>1,608</b>      | <b>10,705</b>     | <b>39,612</b>     | <b>37,631</b>     | <b>14,953</b>     | <b>14,657</b>     | <b>13,974</b>     |
| <b>Computer Equipment</b>                           |   | -                 | -                 | <b>792</b>        | <b>29,529</b>     | <b>51,862</b>     | <b>49,269</b>     | <b>30,082</b>     | <b>32,616</b>     | <b>31,460</b>     |
| <b>Furniture and Office Equipment</b>               |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Machinery and Equipment</b>                      |   | -                 | -                 | -                 | <b>20,638</b>     | <b>13,115</b>     | <b>12,459</b>     | <b>30,074</b>     | <b>19,931</b>     | <b>11,884</b>     |
| <b>Transport Assets</b>                             |   | -                 | -                 | -                 | <b>3,000</b>      | <b>3,000</b>      | <b>2,850</b>      | <b>7,011</b>      | <b>12,000</b>     | <b>4,000</b>      |
| <b>Total Capital Expenditure</b>                    | 4 | <b>4,902,924</b>  | <b>5,466,428</b>  | <b>4,808,428</b>  | <b>7,110,162</b>  | <b>7,100,360</b>  | <b>6,748,894</b>  | <b>7,854,605</b>  | <b>8,008,308</b>  | <b>7,674,131</b>  |
| <i>Roads Infrastructure</i>                         |   | 552,639           | 2,081,632         | 1,316,651         | 2,335,662         | 2,044,729         | 1,942,493         | 2,515,019         | 2,293,665         | 2,470,421         |
| <i>Storm water Infrastructure</i>                   |   | 89,003            | 151,557           | 130,952           | 168,686           | 235,399           | 223,629           | 199,220           | 121,110           | 116,001           |
| <i>Electrical Infrastructure</i>                    |   | 507,608           | 858,142           | 602,444           | 721,976           | 591,135           | 561,578           | 696,544           | 782,302           | 792,982           |
| <i>Water Supply Infrastructure</i>                  |   | 541,391           | 750,976           | 351,643           | 744,512           | 523,868           | 497,675           | 749,318           | 587,384           | 500,950           |
| <i>Sanitation Infrastructure</i>                    |   | 502,391           | 712,765           | 385,045           | 553,800           | 895,819           | 851,028           | 606,250           | 618,200           | 582,255           |
| <i>Solid Waste Infrastructure</i>                   |   | 23,419            | 12,168            | 10,900            | 85,989            | 81,615            | 77,534            | 59,775            | 127,450           | 86,730            |
| <i>Rail Infrastructure</i>                          |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <i>Coastal Infrastructure</i>                       |   | -                 | -                 | 83,696            | 90,000            | 130,597           | 124,067           | 85,000            | 65,000            | 61,751            |
| <i>Information and Communication Infrastructure</i> |   | -                 | 25,622            | -                 | 30,098            | 8,134             | 7,727             | 27,064            | 24,967            | 33,719            |
| <b>Infrastructure</b>                               |   | <b>2,216,450</b>  | <b>4,592,862</b>  | <b>2,881,331</b>  | <b>4,730,723</b>  | <b>4,511,296</b>  | <b>4,285,731</b>  | <b>4,938,190</b>  | <b>4,620,078</b>  | <b>4,644,809</b>  |
| Community Facilities                                |   | 1,598,733         | 287,049           | 206,506           | 658,561           | 416,290           | 399,308           | 630,487           | 1,042,168         | 626,601           |
| Sport and Recreation Facilities                     |   | 17,645            | 248,014           | 12,103            | 123,460           | 99,386            | 94,417            | 111,880           | 92,642            | 108,871           |
| <b>Community Assets</b>                             |   | <b>1,616,378</b>  | <b>535,063</b>    | <b>218,609</b>    | <b>782,021</b>    | <b>515,676</b>    | <b>493,724</b>    | <b>742,367</b>    | <b>1,134,810</b>  | <b>735,472</b>    |
| <b>Heritage Assets</b>                              |   | -                 | 1,095             | 3,607             | 18,802            | 22,064            | 20,961            | 10,350            | 24,917            | 23,000            |
| Revenue Generating                                  |   | -                 | -                 | -                 | 7,903             | 7,903             | 7,508             | 26,359            | 19,601            | 19,117            |
| <b>Investment properties</b>                        |   | -                 | -                 | -                 | <b>7,903</b>      | <b>7,903</b>      | <b>7,508</b>      | <b>26,359</b>     | <b>19,601</b>     | <b>19,117</b>     |
| Operational Buildings                               |   | 570,789           | 32,368            | 580,247           | 282,120           | 315,059           | 299,216           | 218,192           | 291,273           | 299,388           |
| Housing   |   | 297,446           | -                 | 599,564           | 654,478           | 662,241           | 629,129           | 708,926           | 773,261           | 807,459           |
| <b>Other Assets</b>                                 |   | <b>868,235</b>    | <b>32,368</b>     | <b>1,179,811</b>  | <b>936,598</b>    | <b>977,300</b>    | <b>928,345</b>    | <b>927,118</b>    | <b>1,064,534</b>  | <b>1,106,847</b>  |
| <b>Biological or Cultivated Assets</b>              |   | -                 | -                 | 3,754             | -                 | -                 | -                 | -                 | -                 | -                 |
| Servitudes  |   | -                 | -                 | -                 | 1,800             | 1,800             | 1,710             | -                 | -                 | -                 |
| Licences and Rights                                 |   | 35,368            | -                 | 127,525           | 67,787            | 114,593           | 108,673           | 204,177           | 130,126           | 108,497           |
| <b>Intangible Assets</b>                            |   | <b>35,368</b>     | -                 | <b>127,525</b>    | <b>69,587</b>     | <b>116,393</b>    | <b>110,383</b>    | <b>204,177</b>    | <b>130,126</b>    | <b>108,497</b>    |
| <b>Computer Equipment</b>                           |   | <b>38,777</b>     | <b>42,330</b>     | <b>106,379</b>    | <b>47,337</b>     | <b>166,641</b>    | <b>158,309</b>    | <b>97,250</b>     | <b>78,298</b>     | <b>82,611</b>     |
| <b>Furniture and Office Equipment</b>               |   | -                 | 33,501            | 30,330            | 70,982            | 79,453            | 75,480            | 60,250            | 50,296            | 54,403            |
| <b>Machinery and Equipment</b>                      |   | <b>58,915</b>     | <b>103,972</b>    | <b>72,824</b>     | <b>235,023</b>    | <b>163,954</b>    | <b>155,756</b>    | <b>280,061</b>    | <b>224,474</b>    | <b>217,193</b>    |
| <b>Transport Assets</b>                             |   | <b>68,801</b>     | <b>125,238</b>    | <b>184,258</b>    | <b>211,186</b>    | <b>501,284</b>    | <b>476,220</b>    | <b>563,098</b>    | <b>571,537</b>    | <b>564,509</b>    |
| <b>Land</b>   |   | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      |
| <b>Zoo's, Marine and Non-biological Animals</b>     |   | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      | <b>#REF!</b>      |
| <b>TOTAL CAPITAL EXPENDITURE - Asset class</b>      |   | <b>4,902,924</b>  | <b>5,466,428</b>  | <b>4,808,428</b>  | <b>7,110,162</b>  | <b>7,100,360</b>  | <b>6,748,894</b>  | <b>7,854,605</b>  | <b>8,008,308</b>  | <b>7,674,131</b>  |
| <i>Roads Infrastructure</i>                         |   | 4,553,442         | 6,635,074         | 16,367,939        | 7,671,195         | 7,380,262         | 7,287,635         | 9,802,654         | 12,096,319        | 14,566,740        |
| <i>Storm water Infrastructure</i>                   |   |                   | 151,557           |                   | 350,589           | 417,302           | 333,059           | 532,279           | 653,389           | 769,390           |
| <i>Electrical Infrastructure</i>                    |   | 6,805,348         | 7,663,490         | 6,240,753         | 9,016,700         | 8,885,859         | 8,565,865         | 9,262,409         | 10,044,711        | 10,837,693        |
| <i>Water Supply Infrastructure</i>                  |   | 8,525,708         | 9,276,684         | 6,816,323         | 10,632,467        | 10,411,823        | 10,100,844        | 10,850,162        | 11,437,546        | 11,938,496        |
| <i>Sanitation Infrastructure</i>                    |   | 5,162,285         | 5,875,050         | 7,428,776         | 6,800,602         | 7,142,622         | 6,460,572         | 7,066,822         | 7,685,022         | 8,267,277         |
| <i>Solid Waste Infrastructure</i>                   |   | 5,134,114         | 5,146,282         | 300,805           | 5,434,077         | 5,429,703         | 5,162,373         | 5,222,148         | 5,349,598         | 5,436,328         |
| <i>Rail Infrastructure</i>                          |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <i>Coastal Infrastructure</i>                       |   | -                 | -                 | -                 | 545,171           | 585,768           | 517,912           | 602,912           | 667,912           | 729,663           |
| <i>Information and Communication Infrastructure</i> |   | -                 | 25,622            | 85,636            | 50,800            | 28,836            | 48,260            | 75,324            | 100,291           | 134,010           |
| <b>Infrastructure</b>                               |   | <b>30,180,897</b> | <b>34,773,759</b> | <b>37,240,233</b> | <b>40,501,601</b> | <b>40,282,174</b> | <b>38,476,521</b> | <b>43,414,711</b> | <b>48,034,789</b> | <b>52,679,598</b> |
| Community Facilities                                |   | 4,123,915         | 4,410,964         | 3,001,355         | 8,279,879         | 8,037,608         | 7,865,885         | 8,479,172         | 6,021,011         | 4,035,338         |
| Sport and Recreation Facilities                     |   | 11,258            | 259,272           | 2,835,763         | 323,127           | 299,053           | 306,970           | 418,850           | 511,492           | 620,363           |
| <b>Community Assets</b>                             |   | <b>4,135,174</b>  | <b>4,670,237</b>  | <b>5,837,117</b>  | <b>8,603,005</b>  | <b>8,336,661</b>  | <b>8,172,855</b>  | <b>8,898,022</b>  | <b>6,532,503</b>  | <b>4,655,701</b>  |
| <b>Heritage Assets</b>                              |   | -                 | 1,095             | 3,607             | -                 | 3,262             | -                 | 10,350            | 35,267            | 58,267            |
| Revenue Generating                                  |   | -                 | -                 | 267,254           | -                 | -                 | -                 | 10,000            | 10,000            | 10,000            |
| Non-revenue Generating                              |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Investment properties</b>                        |   | -                 | -                 | <b>267,254</b>    | -                 | -                 | -                 | <b>10,000</b>     | <b>10,000</b>     | <b>10,000</b>     |
| Operational Buildings                               |   | 3,430,635         | 5,230,234         | 4,032,461         | 1,432,576         | 1,757,408         | 1,020,025         | 488,052           | 1,518,190         | 1,810,528         |
| Housing   |   | -                 | -                 | -                 | -                 | 7,764             | -                 | 708,926           | 1,482,187         | 2,289,646         |
| <b>Other Assets</b>                                 |   | <b>3,430,635</b>  | <b>5,230,234</b>  | <b>4,032,461</b>  | <b>1,432,576</b>  | <b>1,765,172</b>  | <b>1,020,025</b>  | <b>1,196,978</b>  | <b>3,000,377</b>  | <b>4,100,174</b>  |
| <b>Biological or Cultivated Assets</b>              |   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Servitudes  |   | -                 | -                 | 32                | -                 | 200               | -                 | -                 | -                 | -                 |
| Licences and Rights                                 |   | 858,089           | 858,089           | 821,723           | 1,013,924         | 1,060,529         | 1,642,483         | -                 | -                 | -                 |

|   |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Intangible Assets   |          | 858,089           | 858,089           | 821,755           | 1,013,924         | 1,060,729         | 1,642,483         | -                 | -                 | -                 |
| Computer Equipment  |          |                   | 42,330            |                   |                   | 118,902           |                   | 92,184            | 168,265           | 248,712           |
| Furniture and Office Equipment                                      |          |                   | 33,501            | 302,391           |                   | 2,680             |                   | 55,422            | 93,115            | 134,966           |
| Machinery and Equipment   |          | 9,586,231         | 8,672,323         | 687,094           | 5,156,466         | 2,706,326         | 4,898,643         | 5,124,519         | 5,328,014         | 5,508,052         |
| Transport Assets  |          |                   | 125,238           | 788,116           |                   | 290,098           |                   | 563,098           | 1,134,635         | 1,698,844         |
| Libraries   |          |                   | -                 |                   |                   | 38,396            |                   | 5,385             | 95,022            | 212,695           |
| Zoo's, Marine and Non-biological Animals                            |          |                   |                   |                   |                   | -                 |                   |                   |                   |                   |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>                     | <b>5</b> | <b>48,191,025</b> | <b>54,406,805</b> | <b>50,000,957</b> | <b>56,707,572</b> | <b>54,604,401</b> | <b>54,210,526</b> | <b>59,370,669</b> | <b>64,431,987</b> | <b>69,307,009</b> |
| <b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>                     | <b>5</b> | <b>65,331,806</b> | <b>72,922,490</b> | <b>59,104,196</b> | <b>71,576,493</b> | <b>67,559,282</b> | <b>67,995,078</b> | <b>74,198,851</b> | <b>78,835,505</b> | <b>83,024,410</b> |
| <b>EXPENDITURE OTHER ITEMS</b>                                      |          | <b>4,864,842</b>  | <b>4,675,902</b>  | <b>6,411,610</b>  | <b>7,130,720</b>  | <b>6,991,886</b>  | <b>6,371,478</b>  | <b>6,788,639</b>  | <b>7,096,319</b>  | <b>7,126,113</b>  |
| Depreciation  | 7        | 1,972,414         | 2,188,667         | 2,311,697         | 2,554,436         | 2,544,295         | 2,544,297         | 2,700,663         | 2,951,803         | 2,804,242         |
| <u>Repairs and Maintenance by Asset Class</u>                       | 3        | 2,892,428         | 2,487,235         | 4,099,913         | 4,576,284         | 4,447,591         | 3,827,181         | 4,087,976         | 4,144,516         | 4,321,871         |
| Roads Infrastructure  |          | 420,527           | 357,300           | 583,657           | 563,910           | 596,546           | 428,720           | 459,995           | 484,101           | 506,114           |
| Storm water Infrastructure  |          | 39,664            | 30,351            | 199,008           | 77,430            | 71,108            | 137,743           | 146,946           | 154,512           | 162,518           |
| Electrical Infrastructure   |          | 683,945           | 718,184           | 993,753           | 1,125,557         | 1,185,486         | 893,125           | 716,842           | 686,133           | 705,646           |
| Water Supply Infrastructure   |          | 677,487           | 517,566           | 589,421           | 953,277           | 923,997           | 393,228           | 460,288           | 488,382           | 512,801           |
| Sanitation Infrastructure   |          | 300,140           | 214,290           | 286,789           | 386,084           | 386,084           | 395,513           | 318,349           | 257,190           | 270,049           |
| Solid Waste Infrastructure  |          | 4,063             | 8,147             | 40,713            | 23,294            | 20,430            | 40,300            | 42,313            | 44,426            | 46,644            |
| Rail Infrastructure   |          | -                 | -                 | 15,265            | -                 | 6,277             | 12,000            | 12,720            | 13,484            | 14,158            |
| Coastal Infrastructure  |          | -                 | -                 | 1,054             | -                 | 1,172             | 2,201             | 3,122             | 3,278             | 3,442             |
| Information and Communication Infrastructure                        |          | -                 | -                 | 35,761            | -                 | 24,862            | 34,991            | 39,733            | 41,404            | 43,475            |
| Infrastructure  |          | 2,125,825         | 1,845,837         | 2,745,421         | 3,129,552         | 3,215,962         | 2,337,820         | 2,200,308         | 2,172,910         | 2,264,847         |
| Community Facilities  |          | 19,806            | 23,452            | 70,964            | 58,561            | 42,335            | 60,765            | 110,231           | 106,678           | 106,349           |
| Sport and Recreation Facilities                                     |          | 23,293            | 22,068            | 28,176            | 26,573            | 20,208            | 43,048            | 34,010            | 35,278            | 35,430            |
| Community Assets  |          | 43,099            | 45,520            | 99,140            | 85,135            | 62,543            | 103,813           | 144,240           | 141,956           | 141,779           |
| Heritage Assets   |          | -                 | -                 | 25                | -                 | 100               | 271               | 262               | 275               | 289               |
| Revenue Generating  |          | -                 | -                 | -                 | -                 | -                 | -                 | 16,358            | 21,159            | 20,917            |
| Non-revenue Generating  |          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Investment properties   |          | -                 | -                 | -                 | -                 | -                 | -                 | 16,358            | 21,159            | 20,917            |
| Operational Buildings   |          | 333,233           | 366,960           | 893,748           | 976,688           | 851,179           | 966,897           | 1,327,021         | 1,408,354         | 1,498,149         |
| Housing   |          | 83,739            | 39,086            | 25,820            | 37,499            | 37,220            | 37,841            | 38,578            | 40,522            | 42,549            |
| Other Assets  |          | 416,972           | 406,046           | 919,568           | 1,014,187         | 888,399           | 1,004,738         | 1,365,599         | 1,448,877         | 1,540,699         |
| Biological or Cultivated Assets                                     |          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Servitudes  |          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Licences and Rights   |          | 20,420            | 7,454             | 76,354            | 12,428            | 29,052            | 84,189            | 79,105            | 89,923            | 94,881            |
| Intangible Assets   |          | 20,420            | 7,454             | 76,354            | 12,428            | 29,052            | 84,189            | 79,105            | 89,923            | 94,881            |
| Computer Equipment  |          | 42,574            | 26,516            | 43,671            | 46,831            | 6,867             | 44,490            | 42,265            | 40,152            | 38,144            |
| Furniture and Office Equipment                                      |          | -                 | 5,240             | 9,088             | 9,746             | 13,608            | 7,274             | 7,480             | 8,524             | 10,612            |
| Machinery and Equipment   |          | 18,662            | 20,938            | 37,189            | 39,881            | 13,481            | 37,887            | 35,993            | 34,193            | 32,483            |
| Transport Assets  |          | 224,876           | 129,685           | 169,457           | 238,524           | 217,579           | 206,700           | 196,365           | 186,547           | 177,220           |
| Land  |          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Zoo's, Marine and Non-biological Animals                            |          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>TOTAL EXPENDITURE OTHER ITEMS</b>                                |          | <b>4,864,842</b>  | <b>4,675,902</b>  | <b>6,411,610</b>  | <b>7,130,720</b>  | <b>6,991,886</b>  | <b>6,371,478</b>  | <b>6,788,639</b>  | <b>7,096,319</b>  | <b>7,126,113</b>  |
| <i>Renewal and upgrading of Existing Assets as % of total capex</i> |          | 36.1%             | 65.9%             | 44.0%             | 47.5%             | 45.8%             | 45.8%             | 40.0%             | 46.7%             | 38.6%             |
| <i>Renewal and upgrading of Existing Assets as % of deprecn</i>     |          | 89.6%             | 164.7%            | 91.5%             | 132.2%            | 127.8%            | 121.6%            | 116.4%            | 126.6%            | 105.6%            |
| <i>R&amp;M as a % of PPE</i>  |          | 6.6%              | 5.3%              | 8.3%              | 8.2%              | 8.3%              | 7.2%              | 7.0%              | 6.5%              | 6.3%              |
| <i>Renewal and upgrading and R&amp;M as a % of PPE</i>              |          | 7.0%              | 8.0%              | 11.0%             | 11.0%             | 11.0%             | 10.0%             | 10.0%             | 10.0%             | 9.0%              |

## EXPLANATORY NOTES A9 - ASSETS MANAGEMENT

Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

ETH eThekweni - Table A10 Consolidated basic service delivery measurement

| Description  | Ref | 2015/16          | 2016/17          | 2017/18          | Current Year 2018/19 |                  |                    | 2019/20 Medium Term Revenue & Expenditure Framework |                        |                        |
|--|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|---|------------------------|------------------------|
|  |     | Outcome          | Outcome          | Outcome          | Original Budget      | Adjusted Budget  | Full Year Forecast | Budget Year 2019/20                                 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| <b>Household service targets</b>   | 1   |                  |                  |                  |                      |                  |                    |   |                        |                        |
| <b>Water:</b>  |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Piped water inside dwelling  |     | 613,548          | 650,000          | 651,037          | 670,000              | 670,000          | 665,113            | 684,000   | 714,000                | 734,000                |
| Piped water inside yard (but not in dwelling)  |     | 50,038           | 50,738           | 52,091           | 52,038               | 52,038           | 52,831             | 57,038  | 57,000                 | 57,000                 |
| Using public tap (at least min.service level)  | 2   | 272,107          | 252,407          | 288,148          | 272,000              | 272,000          | 240,857            | 275,000   | 265,000                | 265,000                |
| Other water supply (at least min.service level)  | 4   | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <i>Minimum Service Level and Above sub-total</i>   |     | 935,693          | 953,145          | 991,276          | 994,038              | 994,038          | 958,801            | 1,016,038   | 1,036,000              | 1,056,000              |
| Using public tap (< min.service level)   | 3   | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Other water supply (< min.service level)   | 4   | 125,307          | 127,855          | 151,724          | 126,962              | 126,962          | 193,199            | 124,962   | 122,000                | 122,000                |
| No water supply  |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>   |     | 125,307          | 127,855          | 151,724          | 126,962              | 126,962          | 193,199            | 124,962   | 122,000                | 122,000                |
| <b>Total number of households</b>  | 5   | <b>1,061,000</b> | <b>1,081,000</b> | <b>1,143,000</b> | <b>1,121,000</b>     | <b>1,121,000</b> | <b>1,152,000</b>   | <b>1,141,000</b>                                    | <b>1,158,000</b>       | <b>1,178,000</b>       |
| <b>Sanitation/sewerage:</b>  |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Flush toilet (connected to sewerage)   |     | 449,661          | 540,000          | 557,186          | 570,000              | 570,000          | 600,000            | 580,000   | 586,000                | 592,000                |
| Flush toilet (with septic tank)  |     | 107,525          | 112,000          | 122,000          | 145,000              | 145,000          | 107,525            | 160,000   | 163,000                | 168,000                |
| Chemical toilet  |     | -                | -                | 35,000           | -                    | -                | 1,382              | -   | -                      | -                      |
| Pit toilet (ventilated)  |     | 35,000           | 30,000           | 25,000           | 20,000               | 20,000           | 35,000             | 15,000  | 15,000                 | 15,000                 |
| Other toilet provisions (> min.service level)  |     | 194,141          | 210,341          | 250,079          | 242,741              | 242,741          | 256,643            | 250,000   | 254,000                | 259,000                |
| <i>Minimum Service Level and Above sub-total</i>   |     | 786,327          | 892,341          | 989,265          | 977,741              | 977,741          | 1,000,550          | 1,005,000   | 1,018,000              | 1,034,000              |
| Bucket toilet  |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Other toilet provisions (< min.service level)  |     | 274,673          | 188,659          | 153,735          | 143,259              | 151,450          | 136,000            | 136,000   | 140,000                | 144,000                |
| No toilet provisions   |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>   |     | 274,673          | 188,659          | 153,735          | 143,259              | 151,450          | 136,000            | 136,000   | 140,000                | 144,000                |
| <b>Total number of households</b>  | 5   | <b>1,061,000</b> | <b>1,081,000</b> | <b>1,143,000</b> | <b>1,121,000</b>     | <b>1,129,191</b> | <b>1,136,550</b>   | <b>1,141,000</b>                                    | <b>1,158,000</b>       | <b>1,178,000</b>       |
| <b>Energy:</b>   |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Electricity (at least min.service level)   |     | 340,000          | 354,000          | 364,000          | 381,000              | 387,000          | 388,000            | 388,000   | 398,000                | 406,000                |
| Electricity - prepaid (min.service level)  |     | 327,000          | 328,000          | 332,000          | 340,000              | 345,000          | 338,000            | 338,000   | 350,000                | 362,000                |
| <i>Minimum Service Level and Above sub-total</i>   |     | 667,000          | 682,000          | 696,000          | 721,000              | 732,000          | 726,000            | 726,000   | 748,000                | 768,000                |
| Electricity (< min.service level)  |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Electricity - prepaid (< min. service level)   |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Other energy sources   |     | 394,000          | 399,000          | 447,000          | 410,000              | 420,000          | 415,000            | 415,000   | 410,000                | 410,000                |
| <i>Below Minimum Service Level sub-total</i>   |     | 394,000          | 399,000          | 447,000          | 410,000              | 420,000          | 415,000            | 415,000   | 410,000                | 410,000                |
| <b>Total number of households</b>  | 5   | <b>1,061,000</b> | <b>1,081,000</b> | <b>1,143,000</b> | <b>1,131,000</b>     | <b>1,152,000</b> | <b>1,141,000</b>   | <b>1,141,000</b>                                    | <b>1,158,000</b>       | <b>1,178,000</b>       |
| <b>Refuse:</b>   |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Removed at least once a week   |     | 1,061,000        | 824,603          | 824,603          | 1,131,000            | 1,131,000        | 1,152,000          | 1,141,000   | 1,158,000              | 1,178,000              |
| <i>Minimum Service Level and Above sub-total</i>   |     | 1,061,000        | 824,603          | 824,603          | 1,131,000            | 1,131,000        | 1,152,000          | 1,141,000   | 1,158,000              | 1,178,000              |
| Removed less frequently than once a week   |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <i>Below Minimum Service Level sub-total</i>   |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <b>Total number of households</b>  | 5   | <b>1,061,000</b> | <b>824,603</b>   | <b>824,603</b>   | <b>1,131,000</b>     | <b>1,131,000</b> | <b>1,152,000</b>   | <b>1,141,000</b>                                    | <b>1,158,000</b>       | <b>1,178,000</b>       |
| <b>Households receiving Free Basic Service</b>   | 7   |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Water (6 kilolitres per household per month)   |     | 521,374          | 168,243          | 523,243          | 524,643              | 524,643          | 524,643            | 575,643   | 693,840                | 797,916                |
| Sanitation (free minimum level service)  |     | 386,872          | 181,765          | 375,657          | 192,345              | 199,512          | 199,512            | 433,656   | 444,236                | 474,190                |
| Electricity/other energy (50kwh per household per month)   |     | 119,190          | 123,710          | 128,840          | 13,450               | 134,490          | 134,490            | 215,673   | 242,636                | 273,010                |
| Refuse (removed at least once a week)  |     | 559,560          | 312,104          | 613,486          | 320,240              | 628,486          | 628,486            | 676,258   | 759,086                | 834,236                |
| <b>Cost of Free Basic Services provided - Formal Settlements</b>   | 8   |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Water (6 kilolitres per indigent household per month)  |     | 205,177          | 256,019          | 280,340          | 306,973              | 306,973          | 306,973            | 284,341   | 326,992                | 376,041                |
| Sanitation (free sanitation service to indigent household)   |     | 131,301          | 139,304          | 142,939          | 147,256              | 147,256          | 92,950             | 54,741  | 60,160                 | 66,116                 |
| Electricity/other energy (50kwh per indigent household per month)  |     | 11,539           | 12,421           | 13,415           | 14,487               | 14,487           | 14,487             | 2,239   | 2,412                  | 2,526                  |
| Refuse (removed once a week for indigent household)  |     | 202,612          | 215,788          | 245,123          | 72,393               | 72,393           | 72,393             | 162,513   | 178,602                | 198,283                |
| <b>Cost of Free Basic Services provided - Informal Settlements</b>   |     | 872,880          | 1,097,866        | 1,099,974        | 985,386              | 985,386          | 985,386            | 971,209   | 1,126,081              | 1,298,259              |
| <b>Total cost of FBS provided</b>  |     | <b>1,423,509</b> | <b>1,721,398</b> | <b>1,781,791</b> | <b>1,526,495</b>     | <b>1,526,495</b> | <b>1,472,189</b>   | <b>1,475,043</b>                                    | <b>1,694,247</b>       | <b>1,941,225</b>       |
| <b>Highest level of free service provided per household</b>  |     |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Property rates (R value threshold)   |     | 120,000          | 120,000          | 120,000          | 120,000              | 120,000          | 120,000            | 120,000   | 120,000                | 120,000                |
| Water (kilolitres per household per month)   |     | 9                | 9                | 9                | 6                    | 6                | 6                  | 6   | 6                      | 6                      |
| Sanitation (kilolitres per household per month)  |     | 9                | 9                | 9                | 6                    | 6                | 6                  | 6   | 6                      | 6                      |
| Sanitation (Rand per household per month)  |     | 55               | 55               | 55               | 55                   | 55               | 55                 | 55  | 55                     | 55                     |
| Electricity (kwh per household per month)  |     | 50/65kWh         | 50/65kWh         | 50/65kWh         | 50/65kWh             | 50/65kWh         | 50/65kWh           | 50/65kWh  | 50/65kWh               | 50/65kWh               |
| Refuse (average litres per week)   |     | N/a              | N/a              | N/a              | N/a                  | N/a              | N/a                | N/a   | N/a                    | N/a                    |
| <b>Revenue cost of subsidised services provided (R'000)</b>  | 9   |                  |                  |                  |                      |                  |                    |   |                        |                        |
| Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)                           |     | 1,939,000        | 680,662          | 631,392          | 1,857,000            | 1,857,000        | 1,857,000          | 2,408,000   | 2,574,000              | 2,752,000              |
| Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA |     | 1,939,000        | 680,662          | 631,392          | 1,857,000            | 1,857,000        | 1,857,000          | 2,408,000   | 2,574,000              | 2,752,000              |
| Water (in excess of 6 kilolitres per indigent household per month)   |     | 500,381          | 624,377          | 631,392          | 419,128              | 419,128          | 419,128            | 598,371   | 688,127                | 791,346                |
| Sanitation (in excess of free sanitation service to indigent household)                                    |     | 76,454           | 84,863           | 84,578           | 240,565              | 240,565          | -                  | 56,781  | 62,402                 | 68,580                 |
| Electricity/other energy (in excess of 50 kwh per indigent household)                                      |     | 103,851          | 79,776           | 120,732          | 107,878              | 107,878          | 124,596            | 173,912   | 219,153                | 266,206                |
| Refuse (in excess of one removal a week for indigent household)  |     | 160,091          | 210,208          | 244,272          | 290,208              | 290,208          | 217,815            | 156,426   | 171,912                | 186,931                |
| Municipal Housing - rental rebates   |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Housing - top structure subsidies  |     | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| Other  | 6   | -                | -                | -                | -                    | -                | -                  | -   | -                      | -                      |
| <b>Total revenue cost of subsidised services</b>   |     | <b>4,718,777</b> | <b>2,360,547</b> | <b>2,343,758</b> | <b>4,771,779</b>     | <b>4,771,779</b> | <b>4,475,539</b>   | <b>5,801,490</b>                                    | <b>6,289,594</b>       | <b>6,817,063</b>       |

## EXPLANATORY NOTES TABLE A10 - BASIC SERVICE DELIVERY MEASUREMENT

Table A10 provides an overview of service delivery levels, including backlogs for each of the main services. The City continues to make good progress with the eradication of backlogs.

It is anticipated that these Free Basic Services will cost the municipality R 3.9 billion in 2019/20. This is partially covered by the municipality's equitable share allocation of R 3.2 billion from national government.

The total number of households in the municipal area is generally per census data. However, every two years the municipality does a count through the use of aerial photography. This is done using a digital backdrop of the latest aerial photography where the different types of households - informal, traditional, formal and other are noted and recorded. In respect of level of services of households for Water, Refuse removal and Sanitation these are obtained via Engineering Consultants who base it on aerial photography. With regards to electricity service, the levels are determined from the following:

- Electricity (at least minimum service level) - Credit Connections registered on the revenue system
- Electricity - prepaid (minimum service level) - Prepayment Connections registered on the CONTOUR system

The Cost of FBS is determined by multiplying the number of households receiving these services, by the tariff for the respective service / consumption level for the period. The Free Basic Electricity rate is determined by the Department Of Energy and provided by NERSA with the approval of the rates on an annual basis which is applied to the number of households consuming at these levels for the respective period.

## PART 2 - SUPPORTING DOCUMENTATION

### 2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS

#### 2.1.1 OVERVIEW

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the city would follow in order to meet legislative stipulations. The budget process enables the city to optimally involve residents and other stakeholders in the budgeting process. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities.

The budget preparation process is guided by the following legislative requirements:

- Municipal Finance Management Act
- Municipal Budget and Reporting Regulations
- Municipal Systems Act and
- Municipal Structures Act
- Municipal Budget Circulars

The adoption of the 2018/19 Medium Term Budget for the eThekweni Municipality on 31 May 2018 laid the foundation by which strategic functions within the municipality could apply sound financial planning and management over the medium to long term. It facilitated the critical alignment of planning, budgeting and sustainable service delivery in line with eThekweni's vision of being Africa's most caring and liveable city.

Section 21 of the MFMA requires that a time schedule setting out the process to draft the IDP and prepare the budget be tabled ten months before the financial year. In compliance with this requirement the IDP and budget time schedule was tabled before council in August 2018. The main aim of the timetable is to ensure integration between the Integrated Development Plan, the budget and allied process towards tabling a balanced budget.

The purpose of the 2019/20 Medium Term Budget is to comply with the Municipal Finance Management Act (No. 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which is informed by the five year programme and community/stakeholder inputs. The tabled budget was the start of a journey towards final budget approval. It included many processes both politically and administratively, amongst others, consultations with communities in the municipal area. In September 2018 budget instructions (broad expenditure parameters) were issued to departments by the Budget Office. Staff budget requirements were also reviewed for budgetary purposes with an intense scrutiny of human resources needs and assessment of all vacancies. A circular providing guidelines relating to the capital budget process was issued to Heads of department and provided assistance in categorising capital projects.

A budget workshop was held during October 2018 which focused on a year to date capital and operating budget performance, budget adjustments and the 2018/19 MTREF. Broad Strategic responses to the state of the national economy were discussed. The workshop dealt with past performance trends of the operating and capital budget, identified budget realities going forward and set the criteria and basis to be used in the appropriation of financial resources amongst city functions during the budget cycle. Budget meetings were also held with various clusters. At these meetings, budget strategy, budget policies and the alignment of the operating budget with the IDP were discussed. The IDP's strategic focus areas informed the development of the budget, in addition to assessing the relative capacity to implement the budget, taking affordability considerations into account.

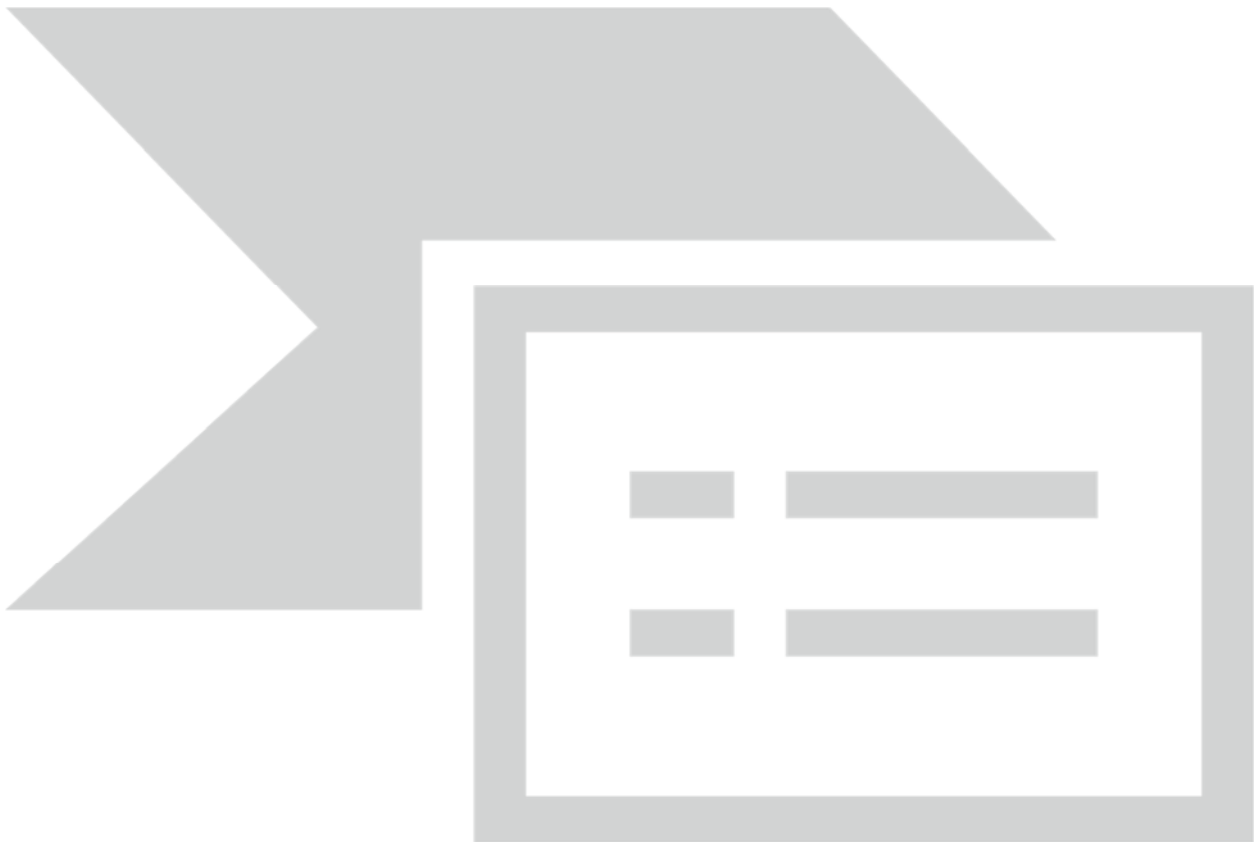
Further deliberations were held on the budget with a view to assessing the budget and reducing the deficit in order to ensure that the increases in rates and tariffs to balance the budget were restricted to an acceptable level. In order to address the initial budget deficit and ensure reasonable levels of tariffs and also to conform to National Treasury cost containment guidelines, Austerity Measures have been applied to the 2019/20 medium term budget. In January 2019 budget presentations were held with the city manager and cluster management.

The mechanism through which the needs of the municipality are identified and priorities set is the Integrated Development Plan (IDP). The capital budget is then accordingly allocated to cover the higher priority projects in the IDP. A series of meetings were held to ensure that the budget is prioritized, balanced and aligned to Councils IDP. A review of the capital borrowings and capital spending took place as the trend in borrowings is not sustainable in view of the increased financial charges and the impacts on tariffs. Capital budget allocations are often made at a project level through a prioritization process. In dealing with capital finance allocations, the city aimed to maintain a strategic balance between (1) the social objective of eradicating service backlogs and providing infrastructure to the poor, (2) the economic growth objective of providing infrastructure to support economic growth and increased municipal revenue, and (3) the objective of providing for rehabilitation and/or replacement of existing assets that had reached the end of their useful lives.

The 2019/20 and 2020/21 Capital budgets as approved per the 2018/19 MTREF was used as a base for prioritization. Projects with contractual commitments were given priority with funding being allocated to committed projects in the first instance. The impacts of projects expected to be rolled over from the 2018/19 year was also considered.

The city used National Treasury financial modeling techniques, based on the Municipal Services Finances Model ( MSFM ), to assist with prioritization and to assess the capital budget allocation. This was done by first running the MSFM on an unconstrained base scenario, projecting the ideal capital allocation to meet all the city’s backlog, growth and rehabilitation needs. The line departments had to specify how the capital projects in their individual budgets were split among the five key focus areas i.e. social, economic, rehabilitation, environmental and administration. While the overall capital required was significantly more than the capital funding available, it was useful to analyze the difference in allocation between these categories.

During the prioritization process of the capital budget, the impact of capital projects on future operating budgets was assessed and considered prior to these projects being approved. Both the operating and capital budgets have been evaluated through a prioritisation mechanism that ensures alignment to the development strategy of the municipality.



## Infrastructure Delivery Management System (IDMS)

The IDMS links infrastructure delivery to financial management using lifecycle methods. Good governance is built into the Control System used to manage the five lifecycle infrastructure delivery programmes, namely Operations, Maintenance, Renewal, Disposal and Acquisition. The IDMS is in support of the infrastructure asset management principle of continuous improvement, by monitoring and reviewing the deliverables described in the Control System.

| Infrastructure Delivery Management Control System |  |  |
|---|--|--|
| Process   | Deliverable  | Description  |
| Portfolio Management                              | Infrastructure Asset Management Plan   | Includes a description of how all 5 lifecycle programmes will be integrated to deliver infrastructure as well as long term cash flows. The IAMP also includes an improvement plan outlining improvements to the infrastructure delivery system   |
| Programme Management                              | Infrastructure Programme Management Plans<br>End of Year Report  | These plans ensure that all infrastructure is aligned with organisation objectives and include schedules of work and cash flows<br>Programme plans are reviewed annually to identify improvements and take account of changed situations.  |
| Operations & Maintenance                          | Updated Infrastructure Asset Register (IAR)<br>Operations Management Plan<br>Maintenance Management Plan | Updating the IAR at least annually is essential to ensure that all infrastructure is included in risk assessments, planning and budgeting.<br>Operations and Maintenance plans describe how infrastructure will be used and looked after, including the institutional structures that support the provision of supplies, reporting and decision making.<br>An annual review on achievements leads to improvements. |
| Project Management                                | Project Delivery gates (proposed 1 - 7)  | Project delivery is based on formal documentation of the scope, cost and schedule for delivery of infrastructure. Reports are developed at each gate using the principle of progressive elaboration. All projects must form part of a programme and be handed over to normal operations once complete.   |

Formal implementation of the IDMS will be aligned with the finalisation of the review of the Standard for Infrastructure Procurement and Delivery Management (SIPDM) which is expected by the end of 2019. However, the principles described in the IDMS are based on best practice and a start has been made in implementing them. Notably infrastructure units are required to review their Infrastructure Asset Management Plans annually. Implementation of the IDMS principles will include the implementation of the Cities Infrastructure Delivery and Delivery Management System (CIDMS) which incorporates additional tools to improve planning and budgeting for infrastructure delivery as well as methods for improving the municipality's capacity to deliver infrastructure sustainably.

## Corporate Investment Committee (CIC)

The CIC will provide technical support in analysing programmes and projects from before they are included in the MTREF. The committee will make recommendations based on feasibility study, business cases, benefits to be expected and discussions with relevant stakeholders. It is expected that the CIC will generate a "pipeline" of programmes and projects that will provide a long term plan of infrastructure work to be carried out within the Municipality.

Currently the CIC is focussing on two of the capital lifecycle infrastructure asset management programmes - Acquisition and Renewal - identifying projects and programmes that can be included in the MTREF. Based on its work the CIC will be able to make recommendations on inclusion of work into the MTREF, scheduling of work, requiring additional planning work and aligning work between Units and Clusters. In future the CIC's work will include the allocation of resources to the other lifecycle infrastructure programmes - Operations, Maintenance and Disposal.

### 2.1.2 POLITICAL OVERSIGHT OF THE BUDGET PROCESS

The key to strengthening the link between priorities and spending plans lies in enhancing political oversight of the budget process. Strengthening the link between Government's priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all people within the City. The Strategic Management Team has a significant role to play in the financial planning process.

Section 53(1) (a) of the MFMA, states that, the mayor of a municipality must provide political guidance over the budget process and the priorities that must guide the preparation of the budget. The Strategic Management Team and the Executive Committee advise Council accordingly. Political oversight of the budget process allows Government, and in particular, the municipality to manage the tension between competing policy priorities and fiscal realities

### 2.1.3 PROCESS FOR CONSULTATIONS WITH EACH GROUP OF STAKEHOLDERS AND OUTCOMES

Local government policy and legislation put great emphasis on municipalities developing a culture of community participation and the creation of appropriate and relevant community participation mechanisms, processes and procedures. The municipality prides itself of enjoying the reputation of actively engaging as many of its citizens as possible in its planning, budgeting, implementation and monitoring processes. In order to strengthen public participation, the municipality has been rolling out its outreach programme to all regions in the municipal area, during the year.

Accordingly, the tabling of the draft Budget in council on the 28 March 2019 was followed by extensive publication of the budget documentation in the council's newspaper, Metro eZasegagasini. Copies of the tabled budget in both electronic and printed formats were submitted to National Treasury as well as the Kwazulu-Natal Provincial Treasury and the Provincial Department of Co-operative Governance and Traditional Affairs. The tabled budget was also being published on the council's website.

In terms of the Municipal Systems Act and in conjunction with the Municipal Finance Management Act, extensive Public Hearings on the budget were held during April & May 2019. Budget presentations were made at the 7 main regions of the municipality as well as to other organisations including the Durban Chamber of Commerce and Industry (DCCI). All questions/issues raised by the public were recorded together with the responses made by councillors and officials. Furthermore, the issues raised are being forwarded to the appropriate departments for comment and action.

### 2.1.4 SCHEDULE OF KEY DEADLINES RELATING TO THE BUDGET PROCESS

The budget time schedule for the compilation of the 2019/20 budget cycle was approved in August 2018, well before the start of the budget year and in compliance with the MFMA. The table below provides an extract of the key deadlines relating to the budget process.

| DETAILS   | DATE             |
|---|------------------|
| Tabling of Annual Budget: Council   | 28 March 2019    |
| Regional Hearings on the Budget   | April - May 2019 |
| Approval of Final Budget  | 29 May 2019      |
| Approval of SDBIP by the Mayor  | 26 June 2019     |
| Submission of Approved budget to National Treasury/<br>DPLG/Provincial Treasury | June 2019        |

## 2.2 OVERVIEW OF ALIGNMENT OF BUDGET WITH IDP

The City's Integrated Development Plan (IDP) is its principal strategic planning instrument, which guides and informs its on-going planning, management and development actions. The IDP represents the city administration's commitment to exercise its executive authority (except in cases where it is in conflict with national or provincial legislation, in which case such legislation prevails), and is effectively the local government's blueprint by which it strives to realise its vision for eThekweni in the short, medium and long term.

However, while the IDP represents the strategic intent of the City, it is also compiled with the understanding that a number of challenges will need to be overcome in order to achieve the strategic objectives it sets out. Some of these challenges are known, while others are as yet unknown and may arise at any time due to any number of national and international economic, political or social events.

### 2.2.1 KEY INTERNATIONAL, NATIONAL AND PROVINCIAL GUIDING DOCUMENTS

To ensure that the municipality is a more responsive, efficient, effective and accountable local government, we outline, precisely how we intend to translate our Long Term 2030 Municipality Vision into an effective plan that aligns the municipal budgets, monitoring and evaluating mechanisms as well as timeframes for delivery. The municipality has taken the strategic direction to achieve closer alignment between the Long Term Development objectives and the IDP (in context of International, National, Provincial and Local development policies). The development of the strategic approach for the Municipality is guided by, but not limited to, the following;

#### *Sustainable Development Goals (SDG's)*

The intention of the SDG's is to be a universally shared common, globally accepted vision to progress to a just, safe and sustainable space for all inhabitants. It is based on the moral principle of the Millennium Development Goals that no one or country should be left behind and that each country has a common responsibility in delivering on the global vision. In the development of the SDG's each of the goals are conceived as both ambitions and challenges to countries and more so cities. It is further noted that each of the SDG targets and goals are applicable to both developed and developing countries alike. The universality of the targets and goals represent differing degrees of challenges and ambitions for different countries depending on their current developmental trajectory and circumstances. The goals are also flexible enough to allow for differentiated approach through all levels of government.

One of the departure points in developing the SDG's was that countries would need to ensure that there is a balance between the economic, political, social and environmental effort required to ensure that these goals are achieved. The municipality is currently one of the leading cities globally that is actively aligning the SDG's to programs and projects. Progress on SDG alignment and localization was presented to the United Nations in July 2018. The SDG's allow for a whole holistic development of cities with a wider range of development programs. The municipality would continue to address these issues in a holistic and integrated manner.

The new Urban Agenda was officially adopted in 2016 and provides a 20 year "roadmap" to guide sustainable urban development globally. The 2030 agenda is built around a series of Sustainable Development Goals (SDGs). Most relevant to the New Urban Agenda is SDG 11, which aims to "make cities and human settlement inclusive, safe, resilient and sustainable". Unlike their predecessors, the Millennium Development Goals, the SDGs apply to all UN member states equally. Much of the New Urban Agenda focused on the application of new technologies and the harvesting of big data, particularly in established urban centres and cities. Under the umbrella of Smart Cities, using open data networks for better urban planning provides an optimistic, technology-based future for cities. Also included in the New Urban Agenda are renewed efforts to help developing countries urbanise.

#### *National Development Plan (Vision 2030)*

The intention of this plan is to improve service delivery for citizens of South Africa, whilst integrating national, provincial and local policies and programmes into a single, target orientated and long term based plan. In this plan a collective approach of improving the lives of the citizens is applied, and communities themselves have a role to play in this regard. The Spatial component of the NDP which is the Integrated Urban Development Framework provides a macro spatial context for urban development at a national level. These will also include the SIP projects. Projects identified as catalytic restructuring projects that would change spatial form of the cities have been budgeted for in the MTREF, such projects include the freight route, IRTPN networks, etc.

## Delivery Agreement Outcome 9

The aim of Delivery Agreement: Outcome 9 is to ensure a responsive, accountable, effective and efficient local government system so as to restore the confidence of citizens in the local government sphere. As such municipalities need to ensure that the basic needs of communities are met; build clean, effective, efficient, responsive and accountable local government; improve performance and professionalism and strengthen partnerships between local government, communities and civil society. Whilst primarily there is a reporting line to Outcome 9, the municipality also reports on Outcome 8 which concentrates on human settlements.

### National Priorities: State of the Nations Address 2019 (SONA)

| <u>5 KEY STATE COMMITMENTS FOR 2019</u>  |  |
|--|--|
| 1. Economic Development and Job Creation | Accelerating inclusive economic growth and ensuring sustainable job creation.  |
| 2. Education and Training                | Improving the quality and status of the education system and focusing on skills development.   |
| 3. Social Wellbeing                      | Improving the quality of life of the poor and the most vulnerable citizens.  |
| 4. State Intelligence                    | Combatting the plight against state capture and corruption in the country  |
| 5. State Administration                  | Increasing the capacity of the state in order to bring forth the relevant service delivery in order to address the needs of the people |
|  |  |

| <u>RELATED COMMITMENTS FOR SONA 2019</u>                     |   |
|--|---|
| 1. Land and Agriculture                                      | <ul style="list-style-type: none"> <li>-State owned land parcels will be redistributed as part of accelerating land reform.</li> <li>-Strategically located land will be released for the purpose of addressing the housing backlog and provision of sustainable human settlements for peri-urban and urban areas.</li> <li>-Prioritisation of skills development and capacity building programmes of black farmers.</li> </ul>   |
| 2. Economic Growth and Job Creation                          | <ul style="list-style-type: none"> <li>-Establishing special economic zones that are sector specific.</li> <li>-Improving competitiveness of exports</li> <li>-expanding small business incubation programmes.</li> <li>-Through an accelerated programme of land reform, the expansion of agricultural output and promotion of economic inclusion will take place.</li> <li>-The requirement for work experience at entry-level in state institutions will be done away with.</li> </ul> |
| 3. Infrastructure Development                                | <ul style="list-style-type: none"> <li>-A new infrastructure fund is to be developed and government will contribute R100 Billion to the fund in order to leverage financing from the private sector.</li> <li>- A comprehensive integrated nation plan that addresses water shortages, ageing infrastructure and poor project implementation will be developed.</li> </ul>  |
| 4. Early Childhood Development and Safety of School Children | <ul style="list-style-type: none"> <li>- The responsibility of ECD centres will migrate from Social Development to Basic Education and proceed with the process towards two years of compulsory ECD for all children before they enter grade 1.</li> <li>-The state is determined to resolve and eradicate unsafe and inappropriate sanitation facilities in schools within the next three years.</li> </ul>  |

|                                 |  |
|---------------------------------|--|
| 5. State Governance             | <ul style="list-style-type: none"> <li>-Whilst Eskom challenges are being addressed, the appropriate consultation and dialogue with all stakeholders will be undertaken.</li> <li>- The state is committed to supporting Eskom's nine-point turnaround plan and balance sheet.</li> <li>- The state is committed in assisting Eskom establish 3 separate entities which include Generation, Transmission and Distribution - under Eskom Holdings.</li> </ul> |
| 6. Community Safety             | <ul style="list-style-type: none"> <li>-The State launched the Community Policing Strategy towards creating a safe and secure country with a focus on building partnerships between the police and communities and building public safety.</li> <li>-The state is committed to implementing the decisions of the National Summit on Gender-Based Violence and Femicide in collaboration with civil society.</li> </ul>                                       |
| 7. Corruption and State Capture | <ul style="list-style-type: none"> <li>-Establishment of an investigating directorate within the NDPP dealing with serious corruption and associated offences that will focus on evidence submitted during the Zondo Commission of Inquiry into State Capture and other Commissions</li> </ul>   |

#### *Towards an Integrated Urban Development Framework (IUDF)*

A key objective of government is to facilitate economic growth, job creation and reduce poverty and income inequality. The framework for integrated urban development is a key governmental initiative to realise this objective because it leverages the potential of our cities and towns, which are South Africa's engines of growth and job creation. Urban areas offer the advantages of economic concentration, connectivity to global markets, the availability of new technologies and the reality of knowledge economies. Given the challenges that urban areas face, there is a need to forge a sustainable growth vision for our urban and rural spaces that will guide our development priorities and choices. As such the framework begins to identify key levers, such as the City Support Programme, which can provide lessons of shaping fiscal incentives and capacity-building for spatial integration in metropolitan municipalities as well as raising awareness of green city practices for protecting the environment and managing the impact of climate change. The National Department of Co-Operative Governance is currently aligning the IUDF to the New Urban Agenda and implementation thereof.

#### **STATE OF THE PROVINCE ADDRESS 2019**

The overarching theme of the 2019 State of the Province Address was announced as "We are ready to hand over, towards even better and faster growth and development of our Province and its' people".

The Premier tabled the provincial address and highlighted the various successes that the province had achieved over the duration of the electoral term whilst also highlighting some of the challenges experienced by the province. The Premier also indicated that the 2019 State Of The Province Address will solely be focused on the eight provincial priorities adopted in 2014 and the associated achievements during this term. Towards the quest of achieving the Provincial 2035 Vision, the following achievements and priorities were highlighted:

## Build an Inclusive Economy that Create Decent Jobs

- Focusing on key sectors such as agriculture; manufacturing; tourism; freight and logistics sectors for the purpose of growing the economy and creating decent jobs.
- Promoting entrepreneurship through SMME and Cooperative Development Programmes towards achieving Radical Economic Transformation. Entrepreneurs will be assisted through a new initiative identified as the Kwa Zulu Natal Bulk Buying and Warehousing Programme.
- Promoting Black Industrialists through the Black Industrialist Programme.
- Promoting the 'Blue' and 'Green' Economy through commercialising the aquaculture sector and encouraging renewable energy initiatives within the province.

## Transform Rural Areas

- Actively developing and driving the Radical Agrarian Socio-Economic Transformation (RASET) programme in order to improve the performance and transformation of the agricultural sector.
- Improving the functionality and potential of rural service nodes through the Small Town Rehabilitation Programme; the Community Services Centre Programme and the Formalisation of Rural Service Nodes Programme.
- Improving and rehabilitating the functionality of the Traditional Administrative Centres.
- Establishing the Umhlabuyalingana Macadamia Programme which has the potential of being the largest Macadamia operation in the country.

## Ensure Decent Living Conditions and Sustainable Human Settlements

- Catalytic and Mega Human Settlements Projects has been pursued with the objective of delivering 125 000 houses over the next few years.
- 14 000 serviced sites will be released for the purpose of delivering GAP housing to the market for the next financial year.
- Provision of Disaster Management Centres in specific municipalities in order to ensure decent living conditions.

## Improve and Expand Education and Training

- Prioritising Early Childhood Development (ECD) in the education system.
- Promoting skills development as means for the province to meet its' skills demand and undertaking skills audit to determine skills shortages in the province.
- Providing support for vulnerable learners through providing Learner Support Agents for students who are at risk or likely to drop- out of school.
- Providing health care services through the National School Health Programme and the Domestos Sanitation Programme with the aim of promoting a healthy lifestyle for students, significantly reducing illness and dropout rates in schools.

## Ensure Quality Health Care For All.

- Life expectancy increased between 2014-2018 from 56.9 years to 60.7 years.
- The fight against HIV/AIDS and TB has led to a significant reduction of HIV /AIDS and TB new infections and subsequent death rates.
- The construction of the Dr Pixley Ka Seme Memorial Hospital is almost completed and is a major milestone as the first regional hospital to be constructed post 1994.
- Oncology services for cancer patients has been stabilised and the 'Phila Ma' campaign for the screening of cervical cancer is in full swing.

### Expand Comprehensive Social Security

- Provision of food to the poor through the Poverty Eradication Programme and through establishing 44 Community Nutrition Development Centres in the Province.
- The province is committed towards eradicating poverty whilst ensuring that all welfare services are delivered timeously.
- Provision of support to vulnerable groups such as the elderly; people with disabilities; orphans and vulnerable children.

### Fight Corruption and Crime

- The establishment of 560 Community Police Forums; 42 Community Safety Forums and 298 Ward Safety Committees was achieved and are a platform for civil society and business to discuss matters related to crime prevention.
- The Communities in Dialogue Programme was established to resolve community conflict amongst taxi owners and hostel conflicts in various hostel locations in the province.
- The province has launched the Advance Social Justice in Farming Communities Programme to address conflict within the farming communities.

### Build a United Nation and Promote Social Cohesion

- The province held a Social Cohesion and Moral Regeneration Summit which resulted in the establishment of a Social Cohesion and Moral Regeneration Council. The councils' primary objective moving forwards is to build social cohesion and to ultimately oversee the development of a Provincial Social Cohesion and Moral Regeneration Strategy and Plan.

## 2.2.2 DEVELOPMENT CHALLENGES

Significant strides have been made to address the key development challenges in the municipality. While significant progress has been made in all areas, there is still some distance to go towards addressing the following challenges:

- High rates of unemployment and low economic growth;
- Limited access to basic household and community services
- Low levels of skills development and literacy;
- High levels of poverty;
- Increased incidents of HIV/AIDS and communicable diseases;
- Loss of natural capital;
- Unsustainable developmental practices;
- High levels of crime and risk;
- Ensuring adequate water and energy supply;
- Ensuring food security;
- Infrastructure degradation;
- Climate change;
- Ensuring financial sustainability;
- Ineffectiveness and inefficiency of inward-looking local government still prevalent in the municipality.

The essence of our IDP is to achieve a balance between meeting basic needs, strengthening the economy and developing people skills and a technology base for the future. In an effort to achieve our 2030 vision to be Africa's most caring and liveable city, the municipality has identified six priority areas of intervention for the next five years which need to be balanced and integrated. Given the strategic framework that has been outlined it is clear that the city's budget must be a pro-growth budget that meets basic needs and builds on existing skills and technology. The municipality's delivery plan is organised into eight separate but related plans. The Municipality's 2030 vision is also aligned to the Vision 2063 for the African Union.

They are interrelated because:

- All the programmes and projects are filtered through the common set of filters described above.
- The plans, programmes and projects are supportive of each other, to ensure greater impact in delivery.
- Where contradictions or overlaps are found to exist, these will duly be brought into alignment.

The eight plans are:

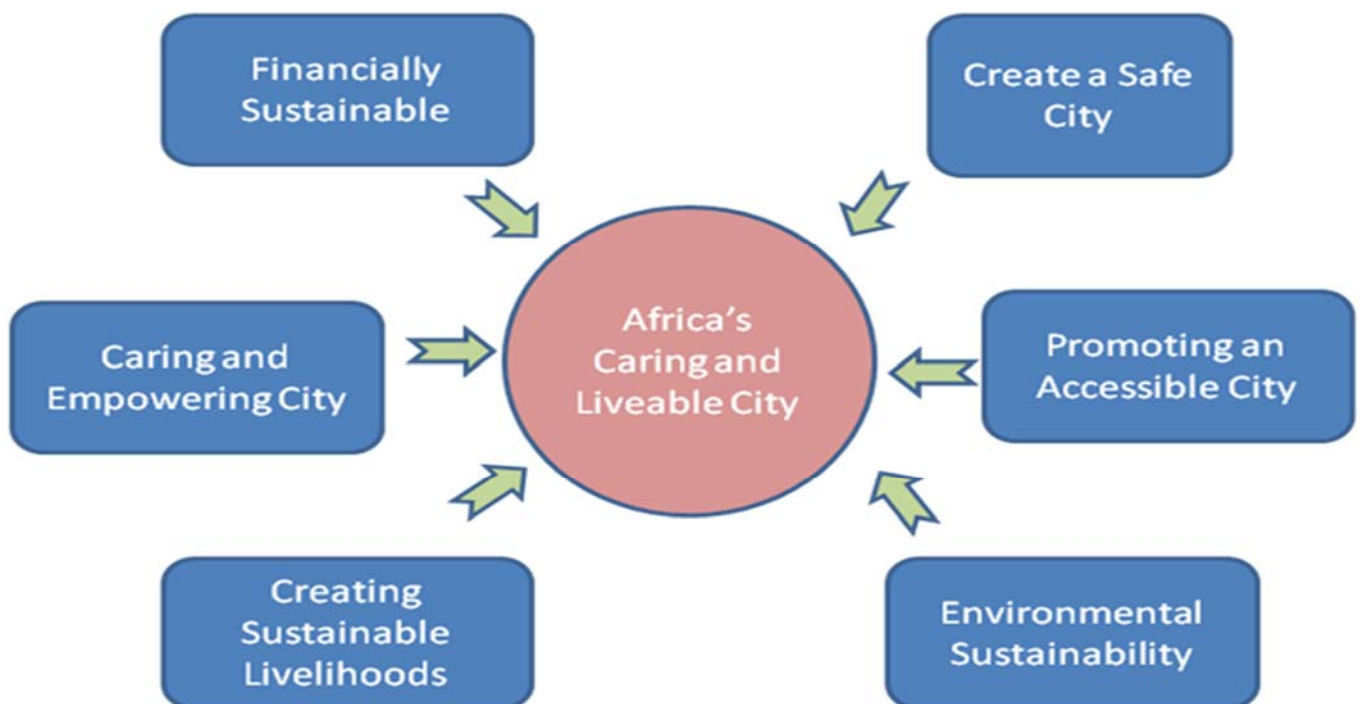
- Develop and Sustain our Spatial, Natural and Built Environment.
- Developing the Prosperous, Diverse Economy and Employment creation
- Supporting organisation design, human capital development and management
- A vibrant and creative city – the foundation for sustainability and social cohesion
- Creating a Quality Living Environment.
- Embracing our cultural diversity, arts and heritage.
- Good Governance and Responsive Local Government.
- Financially Accountable and Sustainable City.

The delivery of these plans should ensure that the people of eThekweni are able to:

- Live in harmony
- Be proud of the municipality
- Feel protected
- Feel that the basic needs are being met

### 2.2.3 MUNICIPAL STRATEGIC PRIORITY AREAS

In order to achieve our vision and to address the development challenges, there are a number of key strategic priority areas which need to be taken into consideration. These priorities lead to the creation of structures which support, house and associate other actions and activities – the building blocks around which actions and prioritisation take place. It also acts as a point of leverage for creating a sustainable municipality that is caring and liveable.



#### 2.2.4 POLITICAL PRIORITIES AND LINKAGES TO THE IDP

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the area. All operating and capital programs in the 2019/20 medium-term budget have been assessed through a prioritisation mechanism that was developed to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities. The priorities emerging from various administrative and political work streams are being incorporated into a consolidated program of action which needs to be prioritised and budgeted accordingly.

#### 2.2.5 IDP OVERVIEW AND KEY AMENDMENTS

The Municipal Systems Act requires that each municipality prepare an Integrated Development Plan to serve as a tool for transforming local governments towards facilitation and management of development within their areas of jurisdiction. The IDP is a five year plan whose principal purpose is to ensure the development of the local community in an integrated manner which involves strategic business units within the municipality, relevant strategic stakeholders and the community. In the five year review, the Eight Point Plan of action will continue to guide the municipality, but has once again been refined and refocused to our strategic programmes, so as to respond more effectively to the key challenges.

## 2.2.6 IDP REVIEW PROCESS AND STAKEHOLDER PARTICIPATION

The IDP is reviewed yearly to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to addressing the needs of the people and values the inputs from communities and stakeholders. The IDP draft process plan for 2019/2020 was noted by council in July 2018 and advertised for comment and input during August 2018. The plan specified timeframes, actions and procedures and appropriate mechanisms for public participation and alignment. The final draft was adopted by council in September 2018.

The fourth generation of eThekweni's Integrated Development Plan (IDP) focuses on translating our Municipal Vision into action. As set out in the Municipal Systems Act (2000), in the review of the five year IDP, a stakeholder consultation process is necessary. Of critical importance is for the municipality to ensure that there is thorough consultation with the community and strategic stakeholders. The review of the five year plan in 2019/20 provides further opportunity for the citizens to actively participate in the development of the IDP.

## 2.2.7 LINK BETWEEN THE IDP AND THE BUDGET

In compliance with the Municipal Structures Act (1998) and Municipal Financial Management Act (2003), our municipal budget is informed and aligned to the IDP objectives. The IDP determines and prioritises the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that our IDP outcomes are achieved but also to ensure that our municipality's 2030 vision is realised.

*The 2018/19 MTREF has therefore, been directly informed by the IDP revision process and TABLES SA 4, SA 5 and SA 6 provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.*

Based on such models as the Multi Criteria Dimension Model (MCDM) and Capital Investment Management System (CIMS), the city is able to link its budget with its programmes, and is able to adequately spread its capital budget geographically as well in accordance with the IDP eight-point plan. In terms of the operating budget we have made excellent progress but are now more committed than ever to ensure that critical operating budget resources are prioritised in terms of stated IDP outcomes. More importantly, the Performance Management System (PMS) allows the municipality an opportunity to monitor and evaluate individual and organisational performance in meeting our IDP outcomes and vision. As with previous year's, our IDP remains the strategic driver of both our budget and performance management system.

## 2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

TABLE SA 7 provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

### 2.3.1 KEY FINANCIAL RATIOS / INDICATORS

The benchmarks reflected in the table below are based on actual audited results in the 2017/18 financial year:

| Financial Benchmarks                     | Basis of Calculation  | 2017/2018<br>%                    |
|--|---|-----------------------------------|
| Debt to Asset Ratio                      | Total Debt / Total Assets   | 13                                |
| Debt to Revenue                          | Total Debt / Annual Income  | 23                                |
| Average Interest Paid on Debt            | Interest Paid / Total Interest Bearing Debt                         | 10                                |
| Capital Charges to Operating Expenditure | Interest and Principal Paid / Operating Expenditure                 | 5                                 |
| Interest as a % of Operating Expenditure | Interest Paid / Operating Expenditure                               | 2.55                              |
| Credit Rating                            | Calculated by Global Credit Rating Company                          | Short term: A1+<br>Long term: AA+ |
| Current Ratio                            | Current Assets / Current Liabilities                                | 1.18                              |
| Creditors System Efficiency              | % of Creditors paid within terms                                    | 100                               |
| Electricity Distribution Losses          | Total units purchased less total units sold / Total units purchased | 7.1                               |
| Water Distribution Losses                | Total units purchased less total units sold / Total units purchased | 32.7                              |

The financial benchmarks reflected in the table above indicate that the municipality is in a reasonable financial status.

#### *Debt to Asset Ratio:*

Total debt to total assets is a leverage ratio that defines the total amount of debt relative to assets.

#### *Debt to Revenue:*

The ratio indicates the extent of total borrowings in relation to total operating revenue. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities.

### *Capital Charges to Operating Expenditure:*

Capital charges to operating expenditure (the measure of the cost of borrowing in relation to the operating expenditure) compares favourably to the acceptable norm of around 10 %.

This ratio is below the norm of 6 % to 8 %. Further the gearing ratio decreased from prior year (2017-22.6 %; 2018-20 %) and is also below the norm of 45 %. Due to the relatively low financial risk, the city has added capacity to raise more loan finance when the need arises.

### *Current Ratio:*

The ratio measures the short term liquidity, ie the extent to which the current liabilities can be paid from current assets. The higher the ratio, the healthier is the situation. Whilst the ratio of 1.18 % is below the norm of 1.5 % to 2.1 % normally set for municipalities, there is sufficient cash to meet creditor obligations.

### *Credit Rating*

The municipality has managed to upgrade its investment grade credit rating from AA to AA+ in the long term and maintained the short term rating of A1+ with a stable outlook. The long term rating means that the municipality has very high credit quality, protection factors are very strong.

***TABLE SA 8 sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.***

## **2.3.2 FREE AND SUBSIDISED BASIC SERVICES**

One of the objectives of a local authority is to ensure the provision of services to communities in a sustainable manner. The constitution stipulates that a municipality must structure and manage its administration, budgeting and planning to give priority to the basic needs of the community and to promote their social and economic development. To cater for the indigent, the municipality, as part of its welfare package provides a basket of free basic services in accordance with a defined level of service. The basic social package is an affirmation of the municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities.

***Details relating to free basic services are contained in TABLE A 10.***

In reviewing the levels of free basic services for the 2019/20 year, the following factors were taken into consideration:

- Sustainability
- Impact of new housing
- Impact on non-indigent ratepayers/consumers

The estimated cost of the social package (i.e. income foregone) amounts to approximately R 3.9 billion for the 2019/20 budget year. Details of the initiatives proposed to be carried out by the council in this regard are detailed below.

| SERVICE              | SOCIAL PACKAGE  | APPROX. COST R'M | EST.NO. OF HOUSEHOLDS |
|----------------------|---|------------------|-----------------------|
| Assessment Rates     | Residential Properties valued up to R 230 000 will be exempt from paying rates. All other properties valued above R 230 000, the first R 120 000 no rates charged.  |                  | 119 740               |
|                      | Pensioners, child-headed households, disability grantees and the medically boarded are exempt from paying rates , with the maximum rebate not exceeding R 4 373.  |                  | 59 035                |
|                      | No rates levied on the first R 30 000 value of vacant land and Outside the Urban Development Line   | 2 408.0          | 178 775               |
| Water                | The first 6kl of water is free to households with property values under R 250 000.  | 882.7            | 575 643               |
| Electricity          | The first 50kwh of electricity is free to residents using less than 150kwh per month in Eskom reticulated areas   | 2.2              | 3 163                 |
|                      | The first 65kwh of electricity is free to residents using less than 150kwh per month in eThekwin reticulated areas  | 176.1            | 212 510               |
| Refuse Removal       | Residential property valued up to R 250 000 exempt from domestic refuse removal tariff. In addition, a free basic refuse removal service is also available to indigent consumer units living in rural, informal settlements and non-kerbside residents.   | 318.9            | 676 259               |
| Sewerage/ Sanitation | The first 6kl of effluent disposal is exempt for all properties with values under R 250 000. In addition, a free basic service is also available to indigent consumer units with VIP's, urine diversion toilets and in informal settlements serviced by means of a toilet/ablution block within 200m. | 111.5            | 433 656               |
| <b>Total</b>         |   | <b>3 899.4</b>   |                       |

The assistance to the qualifying households are regulated by council's budget related policies which are reviewed annually based on modelling the impacts of the tariffs on all residential properties. The cost of this social package is partially funded from the equitable share of R 3.2 billion provided by National Government.

*To ensure sustainability of free basic services, the city needs to consider a flat rate for services in informal settlements, indigent households that are not paying any rates and service charges.*

## 2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Municipal Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, to be updated on an annual basis. The main purpose of budget related policies is to govern and guide the budget process and inform the projections of the medium term.

The following are budget related policies which have been approved by Council, - been reviewed /amended and / or are currently being reviewed / amended in line with National Guidelines and other legislation.

### 2.4.1 ASSESSMENT RATES POLICY

As required in terms of section 5 of the Municipal Property Rates Act ( MPRA ), the Rates Policy has been reviewed for the 2019/20 financial year and the amended policy was adopted in principle by Council on 2018-12-06 for public comment, with a closing date of 31 January 2019. The amended policy is to be adopted with the final budget.

*The applicable assessment rate randages are reflected in the Resolutions to Council on the budget.*

### 2.4.2 CREDIT CONTROL AND DEBT COLLECTION POLICY

The primary objective of this policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of section 97 of the Municipal Systems Act, the credit control and debt collection policy for the 2019/20 financial year has been reviewed and amended.

### 2.4.3 TARIFF POLICY

The Municipal Systems Act requires a Municipality to have a Tariff Policy on the levying of fees for Municipal services provided by the municipality itself or by way of service delivery agreement, and which complies with the provisions of that Act, the Municipal Finance Management Act and other applicable legislation. The policy has been reviewed for the 2019/20 financial year with no amendments required. Accordingly, the Tariff Policy adopted by Council on 2017-05-31 remains unchanged for the 2019/20 financial year.

### 2.4.4 WATER POLICY

The initial water policy was approved by council on 2005-06-22 which has subsequently been amended and provides for amongst others things: level of services, provision of water services, payment for services etc.

The Council's tariffs are affected by the following factors:

- Bulk purchase cost: Umgeni Water
- Unaccounted for water
- Debtors collection rate
- Cost of free basic water
- Capital Unit Charge for bulk DWA projects.

#### 2.4.5 SUPPLY CHAIN MANAGEMENT POLICIES

The policy reflects and represents the context of a specific government policy that finds expressions within the provisions of the Municipal Finance Management Act 56 of 2003. The principal objectives of the policy are to provide, promote, and implement theoretical guidelines, governing processes and procedures within supply chain management. The initial SCM Policy was adopted by council on 2005-09-22 for implementation. In alignment with regulations and National Treasury Circulars, the policy has been revised and adopted by council on 2018-12-06.

This revised policy includes provisions for discounts or market related rental fees of office accommodation. This shall ensure that the municipality receives value for money for all municipal buildings that are rented out and realise savings on buildings that the municipality is renting from private landlords. Furthermore this provision empowers the municipality for the review of lease contracts in keeping with the MFMA requirements to review all contracts in every 3 years.

The policy has amplified Section 44 by putting measures to assist indigent persons who serve in community or civil structures such as ward Committee members as they are often excluded from participating in the tender process because of the narrow definition of "in the service of the state".

Section 32 has been enhanced in accordance with the KZN Provincial Treasury Circular number 01A/2016. This amendment is aimed to ensure that the use of regulation 32 is not as a direct result of poor planning or as a result of unprecedented dire need to spend budget without any real identification of the need. Procurement of any goods and services through this provision must have been planned for and be part of the procurement plan.

Further revisions to the SCM Policy are underway and the amended policy will be submitted to Council for adoption.

#### 2.4.6 INVESTMENT / CASH MANAGEMENT AND BORROWING POLICIES

As required by the Municipal Finance Management Act, and in conformity with the Municipal Cash Management Regulations, the Investment Framework policy and Guidelines has been reviewed and the revised policy adopted by Council on 2017-06-28.

The main objectives of the Investment Framework Policy and Guidelines are:-

- To establish a framework and guidelines for the investment of funds.
- To undertake the investment of funds not immediately required in a prudent manner.
- To ensure the safety of principal, whilst managing liquidity requirements to meet cash flow needs.
- To provide the highest investment returns at minimum risk, within the parameters of authorised instruments.
- To ensure diversification of permitted investments.
- To ensure compliance with all legislation governing the investment of funds.

The borrowing Framework Policy and Guideline has also been reviewed and the revised policy adopted by Council on 2017-06-28.

The main objectives of the Borrowing Policy are:

- To establish a framework and guidelines for the borrowing of funds.
- To ensure compliance with statutory requirements and National Treasury borrowing regulations.
- To ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorised borrowings.
- To outline the appropriate actions of a prudent person standard in the context of managing overall debt.
- To maintain debt within specified limits and ensure adequate provision for the repayment of debt and debt repayment to be sustainable.

#### **2.4.7 VIREMENTS BUDGET POLICY**

In order to give departmental heads greater flexibility in managing their budgets, Virements budget procedures are in place for the revision of budgets (within votes - i.e. Output Unit) via a Virements budget. These procedures provide guidance to managers of when they may shift funds within votes.

To ensure compliance with Section 28 of the MFMA, and the Municipal Budget and Reporting Regulations, procedures were formulated with regards to the transfer of funds and the adjustment budget reporting.

#### **2.4.8 INFRASTRUCTURE ASSET MANAGEMENT POLICY**

The goal of infrastructure asset management is to meet required levels of services in the most cost effective manner, which is achieved through the management of facilities and infrastructure assets' life cycles, for the benefit of present and future generations. National Government has legislated (MFMA), the need for local government to formulate active asset management programmes. An infrastructure asset management plan technically analyses five facilities and infrastructure asset life cycle strategies - acquisition, operations, maintenance, renewal and disposal - to predict what facilities and infrastructure asset activities are required to provide municipal services sustainably. This links facilities and infrastructure asset planning, budgeting and reporting directly to financial planning and reporting.

Infrastructure assets support the fabric of modern society and represent a huge societal investment in eThekweni Municipality which has been built up over the years. Less than 2% by Current Replacement Cost estimates of new facilities and infrastructure assets are added to eThekweni's facilities and infrastructure asset portfolio annually. To safeguard the 98% by value of the existing portfolio, it is therefore essential that modern facilities and infrastructure asset systems and practices are applied to the whole portfolio in a consistent manner. EThekweni Municipality strives to continuously improve these systems and practices across all service types to enhance resilience of service delivery.

The 2017 Infrastructure Asset Management Policy is being reviewed and is expected to be presented to council in 2019. Apart from updating references to the latest standards and guides, the revisions include the requirement for a Tactical Infrastructure Asset Management Committee (TIAMC). The TIAMC replaces the previous requirement for both a Strategic and a Technical Committee. The TIAMC will report to the Executive Management Team which will provide the governance role previously envisaged for the Strategic Committee.

#### **2.4.9 ACCOUNTING POLICY**

In order to ensure that the financial statements are compliant with GRAP Standards, the accounting policies were realigned and approved by council on 2006-06-29. The latest amendments to the accounting policies were approved by council on 2018-06-28.

#### **2.4.10 FUNDING AND RESERVES POLICY**

A funding and reserves policy has been formulated and was approved by the council at its meeting on 2010-05-03. The policy is aimed at ensuring that the Municipality procures sufficient and cost effective funding in order to achieve its capital expenditure objectives in an optimum manner.

#### 2.4.11 BUDGET POLICY

There were no amendments to the Budget Policy which was approved by council on 23 February 2011.

### 2.5 OVERVIEW OF BUDGET ASSUMPTIONS

#### 2.5.1 KEY FINANCIAL ASSUMPTIONS

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The assumptions and principles applied in the development of this budget are mainly based upon guidelines from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), Umgeni Water and other major service providers.

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury determines the ceiling of year-on-year increases in the total operating budget, whilst the National Electricity Regulator (NER) regulates electricity tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following key assumptions underpinned the preparation of the medium-term budget:

| Description              | 2019/20 | 2020/21 | 2021/22 |
|--------------------------|---------|---------|---------|
|                          | %       | %       | %       |
| CPI-Inflation            | 5.6     | 5.4     | 5.4     |
| Remuneration Increase    | 7.0     | 6.75    | 6.9     |
| Telephones               | 6       | 6       | 6       |
| Fuel and Oil             | 3       | 3       | 3       |
| Postage & Revenue Stamps | 5       | 5       | 5       |
| Printing & Stationery    | 6       | 6       | 6       |

#### 2.5.2 CREDIT RATING OUTLOOK

A credit rating is an independent opinion on the ability of an entity to pay its financial obligations, in full and on time. Potential lenders also use it to assess the city's credit risk, which in turn affects the pricing of any subsequent loans taken. The Global Credit Rating Company (GCR) reviewed the credit ratings for eThekweni Municipality, following a detailed analysis of the municipality's 2017/18 financial statements and medium-term expenditure budgets and have accorded the following:

- Long term: The rating has been upgraded from AA- to AA+. The rating is defined as having a very high credit quality.
- Short term: The rating has been maintained at A1+. The rating is defined as having a very high certainty of timely payment. Risk factors are minor.

These are both rated as High Grade and the short term category constitutes the highest certainty of timely payment, short term liquidity, access to alternative funding is high and risk factors are extremely low. It also indicates that the credit outlook is stable. The rating panel were of the opinion that eThekweni continues to reflect a strong stand-alone financial profile with robust solvency and a lowly geared balance sheet which results in a very strong credit risk profile. A rating of this nature is crucial for borrowings undertaken and extremely important for the capital expenditure programme. The credit rating upgrade is a good indicator for the municipality in terms of healthy performance in the current economic climate where the country is facing credit rating challenges.

### 2.5.3 BORROWING AND INVESTMENT OF FUNDS

#### BORROWINGS

The Municipal Finance Management Act No. 56 of 2003 permits long term borrowing by municipalities only to finance capital expenditure, property, plant and equipment.

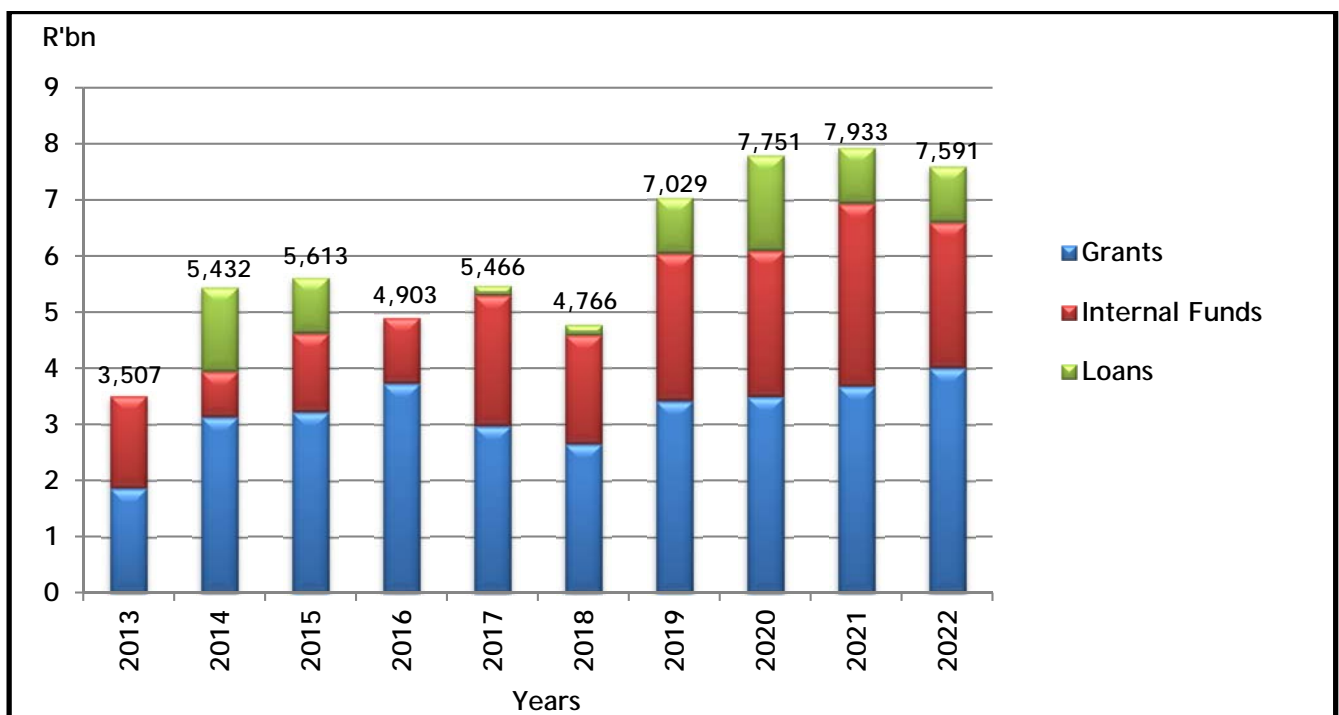
The eThekweni Municipality's Infrastructure Financing Strategy is to:

- Maximise internally generated funds and national transfers from other spheres of government.
- Minimize borrowings.
- Pursue alternate funding sources e.g. Development charges, and public private partnerships.

#### CAPITAL EXPENDITURE

The capital expenditure of the parent municipality has been funded from a mix of government transfers, internally generated funds and external loans. The 2019/20 Capital Budget of R 7.7 billion is being financed by R 3.5 billion from government grants, R 2.6 billion of internally generated funds and R 1,6 billion in external loans. The graph below shows the Total Capital Budget since 2013 and indicates its funding sources. The figures in the 10 bars are in billions.

Funding of Capex 2013 - 2022



Loans comprise, on average, only 15 % of the funding mix, 2013 - 2018 being actuals and 2019 to 2022 forecasts.

## BASIC SERVICE DELIVERY

The table below indicates the Capital spend on 'Basic Service Delivery' items over the past three years. The bulk of the Capital is spent on 'Basic Service Delivery' infrastructure. This pattern of expenditure is expected to be maintained for the foreseeable future.

### Capital utilised for Infrastructure

|                                    | 2016      |     | 2017      |     | 2018      |    |
|------------------------------------|-----------|-----|-----------|-----|-----------|----|
| Human Settlements & Infrastructure | R'000     | %   | R'000     | %   | R'000     | %  |
| Housing & Hostels                  | 312 438   |     | 413,101   |     | 986,981   |    |
| Roads & Storm water (Engineering)  | 645 714   |     | 872,445   |     | 695,362   |    |
| Transport (ETA)                    | 1 437 839 |     | 1,008,715 |     | 608,081   |    |
| Sanitation                         | 503 344   |     | 718,169   |     | 387,041   |    |
| Solid Waste                        | 75 203    |     | 53,803    |     | 107,205   |    |
| Water                              | 561 852   |     | 670,678   |     | 534,791   |    |
| Electricity Services               | 565 781   |     | 744,713   |     | 950,679   |    |
|                                    | 4 102 171 | 100 | 4,481,624 | 100 | 4,270,140 | 81 |
| Total Capital Expenditure          | 4 102 171 |     | 4,491,242 |     | 5,294,876 |    |

The table below indicates the actual borrowings and the future loans to be taken to continue the service delivery programme.

|                  | Actual      | Forecast    |             |             |
|------------------|-------------|-------------|-------------|-------------|
|                  | 2018<br>R'm | 2019<br>R'm | 2020<br>R'm | 2021<br>R'm |
| Long Term Debt * | 8,161.1     | 9,419.2     | 9,868.5     | 10,034.5    |
| Loans Raised     | 0.0         | 2,000.0     | 1,500.0     | 1,000.0     |

Over the MTREF period gearing reduces to 23% at 2020/21 Financial Year.

\* - Total debt is reflected after loans raised and repayment of loans maturing.

## LONG TERM BORROWING

### APPROACH

Long term borrowings in eThekweni have been mainly in the form of annuity loans, with a significant proportion borrowed from the Development Bank of South Africa and other Development Financial Institutions (DFI's) as well as other Financial Institutions. The dominance of annuity loans within eThekweni's borrowing portfolio is largely due to the ability of the City to source competitive interest rates from financial institutions.

The Municipality had budgeted to borrow R 1.0 billion in 2017/18. However, due to unstable economic conditions during the financial year, it was most favourable for the municipality to delay the draw down to July 2018.

In 2018, eThekweni Municipality started the process of entering a wider capital market by way of issuing bonds through the Domestic Medium Term Note (DMTN) Programme. For this purpose, a Lead Arranger who will assist the Municipality in establishment of the Programme was appointed through SCM procedures in December 2018.

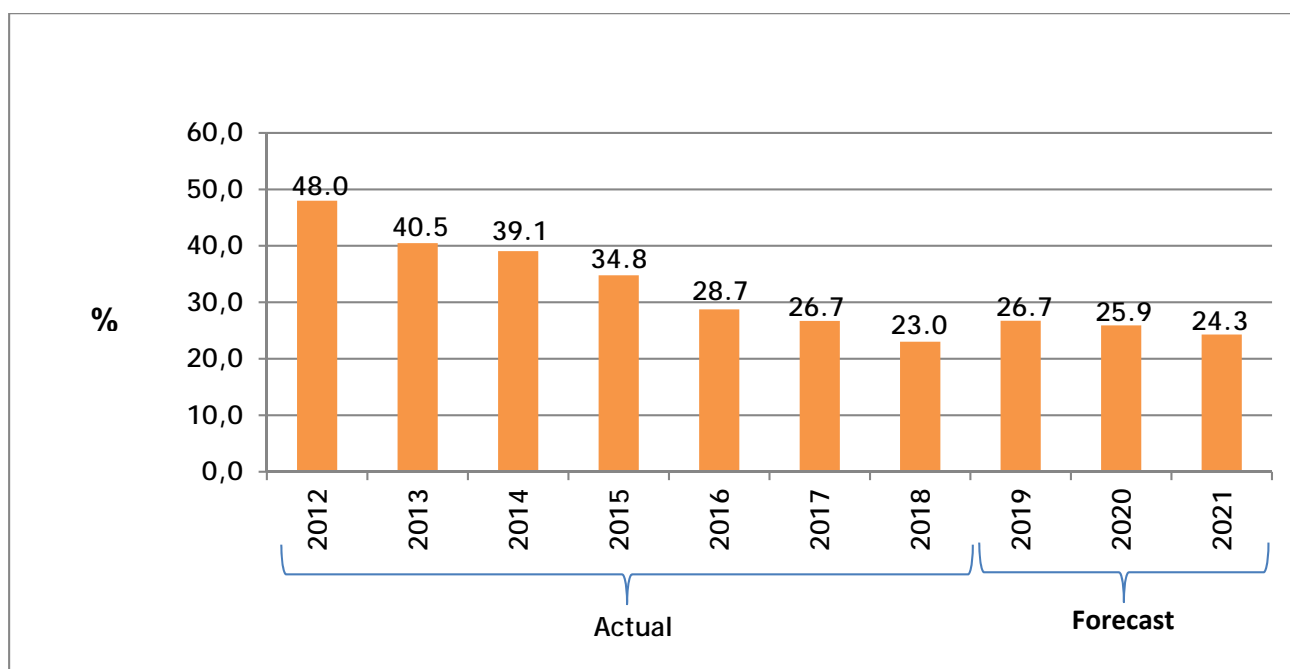
## DEBT CAPACITY INDICATORS

The City tracks a number of key debt capacity indicators, with the prudential limits for each of these ratios being summarised below:

- Gearing should preferably be maintained at 45 per cent of total revenues.
- Debt service costs should not exceed 8 per cent of total operating revenues.

The tables below indicate the status of the indicators mentioned above:

### Gearing Ratio 2012 - 2021



Gearing Ratio = Total Debt as a % of Total Operating Income

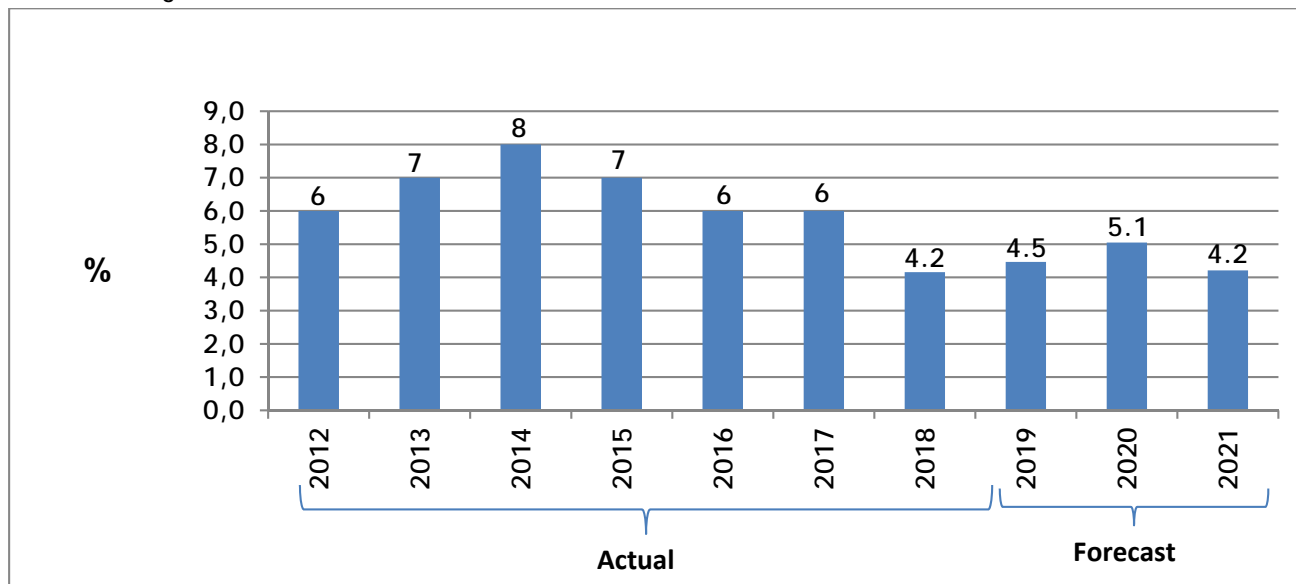
Norm = 45%

2012 - 2018 = Actual

2019 - 2021 = Forecast

This graph indicates the Municipality's ability to afford Debt. The gearing ratio would have reduced to a healthy 24.3% by 2021

## Debt Coverage Ratio 2012 - 2021



Debt Coverage Ratio = Debt Services Cost as a % of Total Operating Income

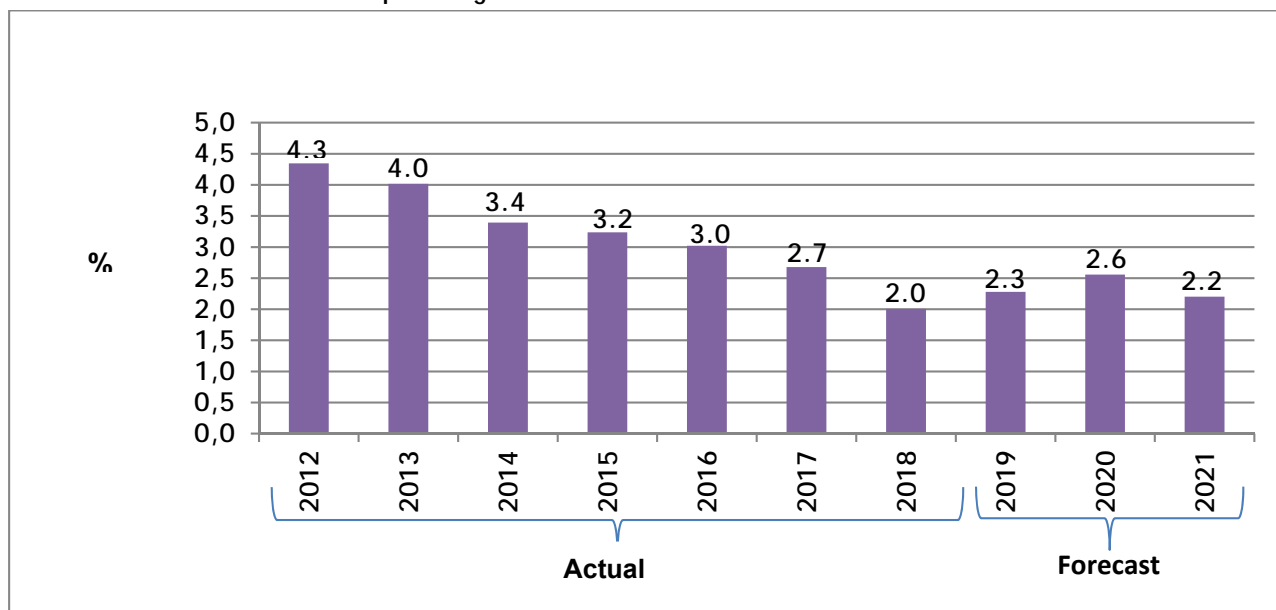
Norm = 6% - 8%

2012 - 2018 = Actual

2019 - 2021 = Forecast

This graph indicates affordability of interest on loans plus capital redemption. The ratio is well within the norm of 6% to 8%

## Interest Paid as a % of Total Operating Income



Interest Paid Ratio = Finance Charges as a % of Total Operating Income

2012 - 2018 = Actual

2019 - 2021 = Forecast

This graph represents the affordability of finance charges. By 2021 the finance costs will be at 2.2%, which is indeed sustainable and a fairly healthy situation. The graphs indicate that the City will not breach any of the prudential ratios over the MTREF period. The borrowings are therefore sustainable and affordable.

## FUTURE TREND

Government grants are budgeted to fund the bulk of capex spend annually (2019: 45%; 2020: 41%; 2021: 44%), underpinned by the Urban Settlement Development Grant. The City is expected to source around R 3.0 billion in new loans annually from 2019 to 2021. *TABLE SA17 provides a detailed analysis of the City's borrowing liability.*

The gearing is forecast to remain at 26% in 2019, and drop to 24% in 2020 and further to 23% in 2021. Furthermore, liquidity metrics are expected to remain sound, with day's cash on hand forecast to be maintained about 50 days over the next 3 years.

| Forecast Balance Sheet (Rm) | Actual         | Forecast       |                |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2018           | 2019           | 2020           | 2021           |
| Short term debt             | 874.4          | 770.1          | 949.3          | 828.8          |
| Long term debt              | 7,286.7        | 8,849.1        | 8,425.0        | 8,705.6        |
| <b>Total debt</b>           | <b>8,161.1</b> | <b>9,419.2</b> | <b>9,368.3</b> | <b>9,534.4</b> |
| Cash & cash investments*    | 6,067          | 5,250          | 5,950          | 6,550          |
| <b>Key ratios</b>           |                |                |                |                |
| Total debt: income (%)      | 23.0           | 27.0           | 26.0           | 24.0           |
| Cash cover S/T debt (x)     | 6.9            | 6.8            | 6.3            | 7.9            |
| Cash on hand (days)*        | 70             | 57             | 53             | 59             |

\* Includes GIF and unspent conditional grants

## INVESTMENTS

Investments made with the various financial institutions are strictly in compliance with Municipal Finance Management Act and the Investment Regulations.

The investment returns achieved and projections are as follows: -

|                                       | <u>30 June 2018</u> | <u>30 June 2019</u> |
|---------------------------------------|---------------------|---------------------|
|                                       | <u>%</u>            | <u>%</u>            |
| Average rate of return on investments | 8.45                | 8.54                |

Cash which is surplus to immediate requirements is invested in short term money market instruments in terms of a stringent investment policy.

*TABLES SA 15 & SA 16 provides details of investments and investments particular by maturity.*

However, it must be remembered that this entire amount does not represents 'unrestricted' cash. The following amounts are ring fenced, viz. Self-Insurance Fund of R 1.5 billion and Unspent Conditional Grants of R 1.3 billion. A cash holding of R 6.1 billion at 30 June 2018 represents 70 Days Cash on Hand which is in line with the National Treasury norm of 1 - 3 months.

## RISKS ASSOCIATED WITH AGGRESSIVE CAPITAL BUDGET

The following risks need to be acknowledged before any consideration can be given to increasing the utilisation of internally generated funds for the financing of the Capital Budget, viz:

- Whilst the City presently enjoys a healthy debtor's collection rate, sustained high tariff increases being passed onto consumers may present a challenge in terms of sustaining these levels in the future.
- Depreciation provisions every year have to be 'cash backed', after providing for the National Treasury norm for Days Cash on Hand of 90 days. This places a significant higher demand on maintaining cash resources.

### 2.5.4 PRICE MOVEMENTS ON SPECIFICS

The tariff for 2018/2019 bulk water purchases from Umgeni Water is R 8.34 per kl. Umgeni Water has advised that there will be a 9.6 % average increase. The increase is above the current inflation rate to fund future infrastructure development projects. A provision of R 2.5 billion has been made in respect of bulk purchases of water.

Purchase of bulk electricity from Eskom amounts to R 10.27 billion. This budget provision includes an estimated 15.69 % increase in the Eskom price of bulk electricity supplied to municipalities.

### 2.5.5 TIMING OF REVENUE COLLECTION

Consumers are billed monthly in respect of services in the form of a consolidated bill. All annual residential and commercial ratepayers have been converted to monthly ratepayers. However, government departments and companies with more than 150 accounts are allowed to pay annually (by October).

### 2.5.6 AVERAGE SALARY INCREASES

The budgeted salary increase is 7.5 % for the fiscal year. This takes into account the multi-year Salary and Wage collective agreement for the period 1 July 2018 to 30 June 2021. Provision has been made for actual positions and vacancies together with notch increases.

### 2.5.7 CHANGING DEMAND CHARACTERISTICS (DEMAND FOR SERVICES)

South African cities have grown rapidly through a combination of natural growth and in-migration because of the obvious economic opportunities and prospects, but also because people view cities as places where livelihoods can be improved and access to services is better. Over the past few years, cities and towns have experienced the biggest increase in population, this urbanisation trend is likely to continue. Municipalities face growing pressures from both the rising cost of bulk services and rapidly growing numbers of households. Infrastructure and service delivery functions need to interact effectively to promote efficiency, employment and integrated development. The current pace of urban population growth is outstripping economic growth, presenting major challenges to municipalities. eThekweni finds itself in a difficult situation since its good track record of service delivery is attracting further in-migration. Being the economic hub of the province, the water requirements of the city are growing rapidly. This is as a result of economic growth, urbanization of the population and associated expansion of residential and other developments being implemented. This trend is expected to continue over the medium term as reflected in planned new urban developments.

## 2.5.8 ABILITY OF THE MUNICIPALITY TO SPEND AND DELIVER ON THE PROGRAMS

Capital expenditure has gained momentum over recent years, as improved capacity and better planning have begun to gain traction. Improved levels of capital expenditure have followed better planning, procurement and monitoring, with the top 150 projects monitored on a weekly basis and remedial action instituted where necessary. In this regard the 2018/19 capital project spending is estimated to progress to a rate of 90.91% of the capital budget. Procurement scheduling has been introduced to ensure that the procurement processes are initiated early enough to ensure that all procurement activities for major projects are finalised timeously to achieve 100 % capital spend for the year. The municipality has demonstrated over a number of years that it has the ability to spend and deliver on its programmes in its area of jurisdiction. In respect of the operating budget indications are that there might be a slight under spending on employee related costs due to delays in filling of vacancies.

## CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

In terms of the City's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework of three years unless section 33 process of the MFMA has been complied with. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department. *Further details are reflected in Supporting Table SA 33.*

## 2.5.9 COST OF SERVICE DELIVERY VS AFFORDABILITY

Over the past few years the functions the eThekweni Municipality has been expected to perform increased according to the needs of the community. Poverty and unemployment is also prevalent in the municipal area. In order to provide assistance to the poorest of the poor the municipality has developed a social welfare package to assist those residents who cannot afford to pay for Services ( *Refer to Section 2.3.2 for details* ).

## 2.6 OVERVIEW OF BUDGET FUNDING

### FISCAL OVERVIEW

The Municipality continues to display a sound financial profile and high liquidity levels, which is mainly attributable to:

- Balanced budgets being funded from current financial year's revenue. Prior year's surpluses have not been used to support the operating budget.
- The municipality operates within its annual budget, as approved by council.
- The municipality maintains a positive cash and investments position.

In compliance with relevant statutory requirements, the Financial Plan (Medium Term Revenue and Expenditure Framework-MTREF) is reviewed and updated annually.

### FUNDING OF CAPITAL BUDGET

The Capital budget is funded by the allocations made to the city by National and Provincial Government in the form of grants, as well as public contributions and donations, borrowings and internally generated funds.

### **2.6.1 LOAN DEBT AND INVESTMENTS**

In terms of funding the capital budget, the municipality is in a fortunate position to undertake much needed service delivery programmes from both internally generated reserves and long term external funding. In the latter case, the municipality with its sound financial credentials has financing options available that are in line with the MFMA and the Municipal Borrowing Framework. Section 45 of the MFMA guides short term borrowing in the city. In line with the anticipated budget performance, and taking into account the National and Provincial grant allocations, the municipality will continue to fund each financial year's operating budget from current revenues.

Investments for the municipality are done in accordance and adherence with the Municipal Investment Regulation of the MFMA, Councils Investment Policy and other relevant legislation. Cash flow forecasts and cash needs by the city provide guidance for the type of investments employed.

The investments are made with primary regard to the risk profile, liquidity needs of the city and the return on investments. In so far as the investment and borrowing activities are concerned, all the requirements of the MFMA have been complied with.

#### **Funding of Operating Budget**

Funding is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, and refuse collection, property rates, grants and subsidies received from National and Provincial governments.

### **2.6.2 SOURCES OF FUNDING**

In the case of eThekweni, a basket of differential tariff increases determines the most acceptable and equitable funding regime taking into consideration the actual cost of delivering services, budget priorities and national legislation, regulations and policy guidelines.

The City's revenue comprises Operating Revenue which includes property taxes, services charges and operating grants- and capital revenue which consists of capital grants, borrowings, cash reserves and operating surplus. This high level of independent and relative stable income sources of revenue is one of the key factors that support the sound financial position of the municipality.

In addition to the obvious need to grow the city's revenue by increasing its tax base, other means for securing funding for council projects must be explored in a variety of ways. The city faces invidious choices in attempting to finance the projected levels of investment in infrastructure. Sources of capital finance are already stretched with limited scope for further borrowing, consumer pressure to restrict tariff and tax increases, and little likelihood of a structural upward adjustment in grant allocations.

Further, efficiencies in the borrowing programme will continue to be sought to lock in lower cost and longer term borrowing, plus the introduction of new revenue sources such as development charges.

### **2.6.3 SAVINGS AND EFFICIENCIES**

#### **2.6.3.1 Costs Savings, Productivity and Business Process Improvement Initiatives:**

A number of projects have been embarked upon by the Special Projects & Cost Savings, Internal Control, Energy Office, Organizational Development and Management Services Departments, in conjunction with the relevant operational departments to improve efficiencies and reduce costs Council wide.

### Contracts Register - Controlling Procurement Contracts

In the 2016 / 2017 financial year, the Municipality had a 100% signoff by the departmental unit heads and the status of the 2017 / 2018 register is currently sitting at 87% for contracts verified, thus creating a comprehensive list of all contracts that were awarded above R200,000 for these respective financial years. The Council wide contracts register is a control document to monitor contracts that are expiring and may need renewal so that the procurement process can start well in advance (9 - 12 months), to ensure that goods and services can be procured in time for the relevant financial year of operation.

The first phase of automating the Contracts Register has been completed, in that this now resides within the JDE-E1 accounting system and the Contracts Register for 2018 / 2019 is being produced from the JDE-Lite System, with unit heads verifying the information quarterly.

The implementation of JDE-E1 ERP system and the added module to track budgeted expenditure against actual spend, allows managers to prevent over-spending on the budgeted and contract values. The tracking of the tender process is currently being rolled out via the e-Procurement System, which links National Treasury's Central Supplier Database (CSD) to the e-Procurement System, integrating with the ERP JDE-E1 financial system, thereby creating a seamless electronic transaction trail in the vetting and compliance of suppliers and tracking of the award of tenders and creation of contract records in the ERP JDE-E1 system. This creates an improved control and compliance environment, which reduces costs, creates greater efficiency and prevents unnecessary irregular expenditure.

### Deadline Monitoring System

The Deadline Monitoring System (DLMS) database is an interactive database on the Intranet for users to update the status of their key deadlines. There are various categories of deadlines: the main categories being internal control deadlines and legislative deadlines. The DLMS sends out reminders to officials of pending deadlines five working days and two working days before the deadline date. The deadline system enables the user to add attachments, to generate reports and to search for archived information. The objective of the deadline monitoring system is to enable managers / officials to be proactive, better manage their sections, improve service delivery efficiency, and to meeting critical deadlines, which includes National Treasury deadlines and compliance with the Municipal Finance Management Act (MFMA). If the deadline is not updated to complete before or on the deadline date, e-mail reminders will be escalated to Senior Officials weekly until the deadline is updated. The report is then sent to top management for review on a monthly basis.

### Work Procedure Manuals

All sections, within Treasury will be reviewing and updating procedure manuals. Business processes will be looked at critically, analysed to effect process improvements, to eliminate any bottlenecks and to implement innovative ideas to improve productivity. Overall an institutional review has been conducted which will result in Units having restructured organograms and change in staff resources this will streamline processes and ensure continuous improvements and efficiencies. This will also lead to changes to procedure manuals and standard operating procedures that will be reviewed annually by senior management.

### Revenue Billing / Generation

#### 1. Tariff Changes Based on Actual Property Use

In order to improve efficiencies within the water and electricity billing business process, a project was undertaken whereby the property use for rating purposes was matched to the use in respect of the water and electricity service. Physical inspections of properties were conducted, in order to ensure that the correct service tariffs were in effect, and any outstanding revenue was billed and collected. Tariffs were adjusted going forward. It is estimated that this project will realise additional revenues in future, the quantification of which will commence shortly, and will depend on consumption levels and annual tariff increases.

## 2. DSW Tariff Change & Non-Domestic Contracts

The current structure of the DSW tariff is being reviewed, in order to ensure that it is based on operating costs and volume. In addition, rebate percentages available to customers will be based on property valuation on a sliding scale. This review will improve efficiency in how customers are billed for trade refuse removal services, in addition to ensuring that operating costs are recovered effectively. DSW non-domestic customers enter into a contract / agreement with the Municipality, in respect of trade refuse removal services. All non-domestic customers as defined in the valuation roll are being cross-checked to ensure that each one of them has a valid and effective contract on file. By undertaking this review, the Municipality will ensure that all revenue due is billed and collected accordingly.

## 3. Sundry Tariffs Standardisation

An engagement letter to management is currently being drafted. The scope of this project is to standardise the sundry tariffs across all units, in respect of the same / similar service, and to recover any foregone revenue. This will improve efficiencies in terms of service delivery, and billing and collection of revenue for sundry services within the Municipality.

## 4. Non-Revenue Water

The objective is to reduce the water loss percentage to within the industry norm. A number of sub projects have been identified to reduce non-revenue water and water losses. Review of the efficiency of the contracted plumbers attending to leaks; recovery of revenue, via a fixed tariff from companies damaging pipes and pump equipment whilst digging up the side of the roads; reviewing the quality of materials used in plumbing low cost housing units; identification of illegal connections program and integrating systems to ensure off services on a property are billed at the correct tariff.

## 5. Unread Water & Electricity Meters

The review of meter readings from inception .i.e. from when the meter is ordered, installed and registered on the billing system, will ensure an efficient process of water meter management. In addition, this review will assist in reducing the number of incorrect bills sent to customers, improved accuracy and completeness of registration of water meters and correct readings on the billing system. A clear communication line will exist, in the event of a change of water meter, through a change in use or replacement of a faulty meter, since this has resulted in a loss of revenue for the past financial year. Finally, the above will assist in the timeous identification of all unread meters, which will result in increase in revenue and reduction of customer queries relating to estimates.

## Cost Saving / Recovery

### 1. Overtime

A report for Electricity overtime was submitted and signed-off / approved. Subsequently, a post implementation review was performed, to confirm that the unit was abiding by the new approved Standard Operating Procedure (SOP). The Water and Sanitation report was issued and adopted by the unit. A post implementation review needs to be performed, in order to confirm compliance with the approved SOP.

### 2. Telephone

Since the previous financial year, Special Projects has reduced the Telkom bill by a further R 500, 000 per month by cancelling unused infrastructural (PRA connections) rentals and lines. The Municipality is currently negotiating with Telkom to reduce telecommunications costs even further by entering into a Master Service Agreement (MSA), in order to incorporate all services under a single agreement. This will enable the Municipality to negotiate competitive pricing and higher discounts, with the intention to go out to public tender in the next two years for voice, Wi-Fi, data and infrastructure rentals. The Telephone Usage policy is currently being drafted for Council's consideration, approval and implementation in the 2019 / 2020 financial year. The policy intends to control staff telephone usage and reduce costs of outgoing calls. Data use is also being reviewed, in order to reduce costs and limit unproductive time, thereby improving efficiencies and effectiveness.

## Internal Control Project Strategies:

The Internal Control Unit has continued to strive towards contributing to a culture of corporate governance by ensuring that line department's processes and procedures are aligned and inclusive of reliable and adequate controls to ensure that the assets of the City are safeguarded. In summary, the Unit has planned to deliver on new and on-going projects during the 2017/18 period of reporting as follows:

### New

- Process re-engineering - Review various sundry operating procedures (SOP's) City Wide with the objective being to embed reliable touch point Controls within the existing SOP's or develop SOP's where they are non-existent;
- Overtime Analyses - Review excessive overtime worked in specific line departments, identify causes of overtime, and verify Management interventions to curb/limit the overtime by tracking month to month comparisons;
- Business Continuity Management - Deliver on the Cluster mandate to implement a fully operational Business Continuity strategy across all Units within Treasury;
- Authorised Signatories Database - review and enhance the signatories database to incorporate financial limits;
- Vehicle Auctions - Provide full support in the successful execution of vehicle auctions; and
- E=Procurement System - Review all controls in the Rollout of the e-Procurement System;

### On-Going

- Senior Citizens Project (Adhoc) - The Vendors and deliverables are to be verified in line with the agreed specifications (Once a year);
- Commitments Project (Adhoc) - Verify the disclosure of all commitments on Contracts in the Annual Financial Statements for accuracy and completeness (at Year-end);
- Executive Acquisitions Committee (EAC) - provide a compliance verification support service to the EAC with regards to Contract awards above R10 million;
- Human Settlements - Continuous support on financial performance and operational controls relating to all aspects of housing delivery;
- Taxi Incentive Programme - Provide ongoing support to GO! Durban with the payment process;
- Risk Management - provide ongoing support for the Cluster and Units risk management portfolio's;
- Irregular Expenditure - verification of all reports for onward submission to Bid Adjudication Committee;
- Trending of repeat offenders in respect of irregular expenditure;
- Interrogate irregular expenditure reports for root causes and compile quarterly report to MPAC;
- Internal Audit and Auditor General Logs - continuous monitoring and unpacking of findings to assist Line Departments in implementing controls to address the root causes which gave rise to the audit finding;
- Finance Management Capability and Maturity Model (FMCMM) - Follow up on the implementation of action plans relating to the FMCMM as set out by National Treasury in compliance with the Municipal Finance and Management Act on a quarterly basis;
- City Integrity and Investigations (CIU) Unit Recommendations: Tracking of CIU recommendations with regard to ensuring that the recommended disciplinary procedures are implemented; and
- Ensuring that the daily EFT/ Cheque Payment Service runs efficiently.

## 2.6.4 INVESTMENTS - CASH BACKED

Adequate provision has been made by way of external investments to ensure that cash is available on the maturity of investments. Investment income is utilized to fund the budget. The permissible reserves are cash backed in terms of the MFMA.

## 2.6.5 COLLECTION RATES FOR EACH REVENUE SOURCE

In accordance with relevant legislation and national directives, the municipality's projected revenue collection rates are based on realistic and sustainable trends. The rate of revenue collection is the cash collected from consumers expressed as a percentage of the amount billed.

The average collection rate and projections for the year are as follows:

| REVENUE SOURCE              | Average<br>2017/18 | Average<br>2018/19 |
|-----------------------------|--------------------|--------------------|
| Rates , Water & Electricity | 91.8               | 95.0               |

The total average collection rate is based on a combination of actual collection rates achieved to date, and the estimated outcomes for the current financial period. The collection rates achieved for the 2017/18 year have contributed to the positive credit rating that the municipality has received.

### Electricity

The disconnection policy is being applied for non-payment and the largest debts are being targeted.

### Water

The programme put in place to encourage customers to pay their current accounts in return for a reduction in the debt they have incurred should yield an improvement in the collection rate.

## DEBTORS

Debtors Age Analysis as at 31 December 2018: Parent Municipality

|                                       | 0 - 30 Days |       | 31 - 60 Days |       | 61 - 90 Days |       | Over 90 Days |       | Total      |
|---------------------------------------|-------------|-------|--------------|-------|--------------|-------|--------------|-------|------------|
|                                       | R' 000      | %     | R' 000       | %     | R' 000       | %     | R' 000       | %     | R' 000     |
| Debtors at 31.12.2018                 | 1,961,296   | 15.78 | 1,062,422    | 8.55  | 438,620      | 3.53  | 8,963,404    | 72.14 | 12,425,742 |
| Debtors at 31.12.2017                 | 1,338,615   | 18.80 | 888,210      | 7.56  | 448,576      | 3.43  | 6,827,161    | 70.21 | 9,502,562  |
| Movement                              | 622,681     |       | 174,212      |       | -9,956       |       | 2,136,243    |       | 2,923,180  |
| % Increase/(decrease)<br>year on year |             | 46.52 |              | 19.61 |              | -2.22 |              | 31.29 | 30.76      |

*The total debtors figure is stated prior to adjustments in respect of Provision for Bad Debts.*

The total debtors outstanding of R 12.4 billion represents an increase of R 2.9 billion which is about 30.76 % compared to December 2017. The increase was initially due to suspension of disconnections when RMS was implemented in 2017. When the disconnections started they were limited in number and the situation has now improved.

The increase is also due to increases in tariffs for services and rates. The unemployment rate has increased resulting in a number of customers defaulting on their payments.

## Collectable debt over 90 days – Categorised

| CUSTOMER NAME                       | OUTSTANDING AMOUNT (R) |
|-------------------------------------|------------------------|
| Total Debt As At 31 December 2018   | 12,425,742,712         |
| <b>Uncollectable Debt</b>           |                        |
| Recovery Process SIE                | 987,372,143            |
| Credit Authorities                  | 592,224,387            |
| Deceased Estates                    | 600,000,000            |
| Legal Process                       | 253,451                |
| Tansnat Durban Cc                   | 314,447,393            |
| Niu Accounts                        | 114,907,210            |
| Rural Water                         | 942,251,525            |
| Hostels                             | 334,012,209            |
| Ingonyama Trust                     | 160,597,900            |
| R293 Properties                     | 17,938,022             |
| Ugu District Municipality           | 20,901,005             |
| Durban Marine Theme Park            | 18,619,851             |
| Deregistered Companies              | 11,104,681             |
| Insolvent Estates                   | 4,660,795              |
|                                     |                        |
| <b>Total Provision For Bad Debt</b> | <b>5,810,974,376</b>   |
| <b>Collectable Debt</b>             | <b>6,614,768,336</b>   |

### Analysis of Total Debtors

Of the total debtors' amount illustrated above; R 5.8 billion (about 47 %) amounts to doubtful debts which have been included in the provision for bad debts. Although provision is made for Bad Debts amounting to R 5.8 billion, this debt will not necessarily be written off. It will still be pursued until it is not feasible to recover. The debt collection processes will continue until legal process is undertaken eventually. The database is continually being updated and the estimated above will eventually be actual figures and the data will be more concise.

### Government Debt Pending Issues

Total Government Debt equates to R 880 million, of which R 479 million is outstanding for more than 90 Days. Properties owned by the Ingonyama Trust make up about 33 % of the debt over 90 days.

The following are pending issues:

- Department of Water affairs - EThekweni met with National Department of Public Works and they will be paying for Hazelmere Dam once issues raised with Real Estates are resolved. There is still a problem with Inanda Dam because it is on Ingonyama land.
- Department of Housing - An Exco report has been prepared to request for the exemption of these properties from paying rates because they were developed by the municipality on land owned by the department. Approval to Exco report is still pending.
- Public Works Department (National) - NDPW has forwarded a request to Head Office to waive the normal process of engaging with the State Attorney regarding the transfer of these properties and appoint a Private Conveyancer to try and fast track the project. Although payments for Rate accounts are in progress, Rate Clearance Certificates cannot be issued due to accounts being in arrears for Water and Electricity.
- Section 21 Schools - Department of Education has advised that the schools have the capacity to pay for the debt which has accumulated on these accounts. The Mayor is arranging a meeting with MEC for Education to take this matter further.
- Ingonyama Trust - A report to Council to recommend Legal process has been prepared and sent to Exco. The report has not been approved as yet.

## Debt Collection Activities

In December 2018 the following activities we undertaken:

- Monthly staff deductions are made from staff salaries of not more than 25 % of the Net Pay.
- A total amount of R 816 835.78 was deducted from employees' salaries.
- There were 10,614 Electricity and 11,925 Water disconnections for the month of December.
- Collection Rate for the month of December 2018 is 87.86 % and the cumulative percentage from July to December 2018 is 89.63 % when comparing billing with collections. These figures are based on what is generated from the system without any adjustments.
- The Magistrate Court Act has been amended, going forward an affordability check of customers has to be determined before the credit agreement is signed. Debt default judgements cannot be obtained on customers who default with payment arrangements if the affordability documents are not disclosed. A report was sent to Council to update with this matter. The affordability documents will be implemented by the Revenue section soon to try and curb the escalating debt.

### 2.6.6 LEVELS OF RATES, SERVICE CHARGES AND OTHER FEES AND CHARGES

The City's revenue quantum is determined by setting a package of tariffs which are not only affordable to the rate payers and the users of its services but deemed to be at fair and realistic levels when viewed in context of its programmes to assist those who do not have the means to pay. To maintain an effective, efficient and well-run city, tariff increases are inevitable.

Tariff- setting is a pivotal and strategic part of the compilation of the city's budget. The setting of tariffs for the 2019/20 financial year continues to be guided by a tariff policy, which provides a framework within which the eThekweni municipality can implement fair, transparent and affordable charges for the provision of services. The tariff level setting process was largely influenced by the considerable increase on bulk electricity purchases and the disproportionate increase above CPI levels. This has distorted the city's average tariff and charges increases. The adverse impact of the current economic climate coupled with unfavourable external financial pressures on services makes tariff increases higher than CPI levels inevitable. In determining the increase in rates tariffs and other charges these are reflective of the appropriate balance between the interest of poor households, other customers and also ensuring the financial sustainability of the municipality.

The following principles and guidelines have been considered in the 2019/20 MTREF:

- Credible collection rates.
- Local economic conditions.
- The impact of cross subsidisation
- The impact of inflation and other cost drivers.
- The ability of the community to pay for services rendered.
- Realistic revenue estimates through a conservative, objective and analytical process.
- Identification and pursuance of grants from national, provincial and other agencies.

As in the past, the above principles dictate the annual increase in the tariffs charged to the consumers and the ratepayers.

## RATES

Property tax represents the second most substantial tax revenue for the municipality. It is a well-founded tax with a long and sustained history. This source of revenue is a relative stable source as it is not substantially affected by economic cycles, as is the case with other tariffs. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. Rates will be levied based on The General Valuation Roll 2017 and relative supplementary valuation rolls. The implementation date for the General Valuation Roll 2017 is 1 July 2017. The levying of rates in terms of the Municipal Property Rates Act whereby properties are valued based on market value as at the date of valuation, is being applied for this Medium Term Budget.

## VALUATION ROLL

In accordance with the provisions of the Municipal Property Rates Act (MPRA), the eThekweni Municipality has undertaken a general valuation of all properties across the Metro. A general valuation is required to be undertaken at least once every four years in terms of the Municipal Property Rates Act. Previous rolls were released in 2008 and 2012. The third General Valuation (GV2017) came into effect from 1 July 2017 to 30 June 2021. The date of valuation has been determined as 2 July 2016 and the general valuation reflects the market value of all properties in accordance with property market conditions that applied at that date.

## ELECTRICITY AND WATER

The increase in water and electricity tariffs is consistent with National Policy on the provision of free basic services, Council's Indigent relief measures and tariff policies. The tariff increases are necessary due to the increase in the cost of bulk purchases, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the services. In the review of the tariffs for water and electricity, the municipality ensures that the level of tariffs are cost - reflective including the cost of maintenance and renewal of networks and the cost associated with reticulation expansion and that the associated structure of the tariffs encourage efficient and sustainable consumption.

With regard to water service, a flat service charge rate is to be investigated for formal properties valued below R 230 000 and as well as those informal settlements where water and ablution facilities have been provided.

## REFUSE REMOVAL

The increase in the domestic refuse removal tariff for the 2019/20 year is mainly due to salary increases, conversion of agency staff to permanent and the increased cost of the purchase of refuse bags.

## SEWERAGE

A volume based sewage disposal charge system is applied based on the percentage of water consumption. A flat tariff is charged to Non-Domestic Consumers and a stepped tariff to Domestic Consumers in line with the consumption bands for water. The progressive nature of the existing domestic stepped tariff structure for the both water and sanitation allows for the needs of the indigent. It is also designed to discourage high water consumption levels which have an impact in on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption level to ensure availability.

## 2.7 GRANT ALLOCATIONS

Municipalities play a critical role in furthering government's objective of providing services to all. Cities are also driving South Africa's growth and development. However to play these roles, cities need to be supported and funded. Local Government conditional grants are being reformed to provide targeted support to different types of municipalities. The following projected grant allocations to the municipality in terms of the 2019 Division of Revenue Bill have been included in this medium term budget.

| GRANT  | 2018/19<br>R m | 2019/20<br>R m | 2020/21<br>R m |
|--|----------------|----------------|----------------|
| Energy efficiency and Demand Side Management Grant | 15.0           | 15.0           | 14.0           |
| Financial Management Grant                         | 1.0            | 1.0            | 1.0            |
| Public Transport Network Grant                     | 840.5          | 886.7          | 953.2          |
| Equitable Share                                    | 3 160.6        | 3 444.5        | 3 761.4        |
| Urban Settlements Development Grant                | 2 094.4        | 1 690.4        | 1 630.6        |
| General Fuel Levy                                  | 2 610.6        | 2 879.0        | 3 222.2        |
| Infrastructure Skills Development Grant            | 36.3           | 35.0           | 37.0           |
| Neighbourhood Development Partnership Grant        | 48.0           | 50.0           | 63.8           |
| Integrated City Development Grant                  | 51.5           | 55.3           | 58.4           |
| Informal Settlements Upgrading Grant               | 0              | 415.5          | 610.1          |

## 2.8 LEGISLATION COMPLIANCE STATUS

### DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

## BUDGET

This annual budget has been developed in accordance with the requirements prescribed by the MFMA, Municipal Budget and Reporting Regulations, National Treasury and mSCOA regulations. Budgets are being tabled and approved within the required legislative timeframes.

## IDP

The 2019/20 review process is complete, with community consultation already undertaken as required by legislation.

## ANNUAL REPORT

The 2017/18 Annual Report has been developed taking into account the MFMA and National Treasury requirements. The draft report was noted by council at its meeting held on 31 January 2019 and thereafter entered the public participation phase for comments until 31 March 2019.

## IN-YEAR REPORTING

Fully compliant with regards to monthly, quarterly and annual reports to Council, Provincial and National Treasury.

## BUDGET AND TREASURY OFFICES

A Budget and Treasury Office has been established in accordance with the MFMA and National Treasury requirements.

## AUDIT COMMITTEE

The Audit Committee, an independent external committee provides an oversight function over the financial and risk management and performance of the municipality.

## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

This committee ensures that the administration, municipal agencies and entities are held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilisation of council resources.

## ETHICS COMMITTEE

Council established the Ethics Committee to ensure compliance with the Code of Conduct and to investigate and make a finding in any alleged breach.

## 2.9 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. The SDBIP provides a credible information management plan to ensure service delivery targets and other performance management indicators are achieved. It is the mechanism that ensures that the IDP and Budget are aligned. The focus of the SDBIP is the creation of both financial and non-financial measurable performance objectives in the form of service delivery targets.

The SDBIP of eThekweni Municipality is developed according to the eight point plan as set out in the Municipal IDP. It contains the Strategic Focus Areas which is then drilled down into Programmes, projects and sub-projects. It reflects the quarterly and annual targets and the actual achievements/ non achievement of these targets is monitored on a quarterly basis. The ultimate aim of this monitoring is to ensure that the Municipality achieves its objectives. Where targets are not achieved, reasons for non-achievement and corrective action to be implemented are required. The City's strategic planning documents i.e. the IDP, Budget and the SDBIP are all linked.

### STATISTICAL INFORMATION

#### COMMUNITY AND EMERGENCY SERVICES

##### HEALTH

###### Environmental Health:

|  |     |
|--|-----|
| Number of air pollution monitoring stations              | 33  |
| Number of Industries with scheduled trade permits        | 160 |
| Number of Environmental Impacts assessments commented on | 84  |
| Number of building plans commented on                    | 785 |
| Number of Major Hazard installations inspected           | 221 |

###### Clinical Services:

|  |         |
|--|---------|
| Number of clinics  | 60      |
| Number of mobile clinic services and health posts          | 41      |
| Number of children under 1 year fully immunized            | 35 205  |
| Number of patients screened for chronic medical conditions | 742 602 |
| Number of women screened for cervical cancer               | 28 408  |
| Number of vaccinations undertaken                          | 224 504 |

#### PARKS, RECREATION AND CULTURE

|                           |     |
|---------------------------|-----|
| Number of Swimming Pools  | 52  |
| Number of Soccer Fields   | 336 |
| Number of Cricket Wickets | 66  |
| Number of Hockey Fields   | 5   |
| Number of Rugby Fields    | 9   |

|   |           |
|---|-----------|
| Number of Bowling Greens                            | 5         |
| Number of Netball Courts                            | 53        |
| Number of Volley Ball Courts/Combi-Courts           | 75        |
| Number of Stadia                                    | 11        |
| Number of Community Halls                           | 163       |
| Number of Golf Courses                              | 2         |
| Number of Cemeteries                                | 65        |
| Number of Crematoria                                | 2         |
| Number of Developed Horticultural Parks             | 150       |
| Number of Nurseries (ha)                            | 9         |
| Number of Developed Playground sites                | 627       |
| Number of burials (excluding paupers)               | 7 085     |
| Number of cremations                                | 1 719     |
| Number of graveyards maintained                     | 65        |
| Number of Public Conveniences                       | 52        |
| Number of Natural Resource Areas maintained         | 75        |
| Number of libraries                                 | 94        |
| Number of library membership                        | 300 373   |
| Number of books issued                              | 2 714 848 |
| Number of museums                                   | 18        |
| Number of museum visitors - Durban Art Gallery      | 106 255   |
| Number of museum visitors - Natural Science Museums | 94 490    |
| Number of museum visitors - Local History Museums   | 104 682   |
| Area of Developed Horticulture Parks                | 5 969     |
| Area of verges maintained (ha)                      | 642 579   |
| Number of Beaches                                   | 17        |
| Number of Kickabout fields                          | 332       |

## EMERGENCY SERVICES

### Fire:

|  |       |
|--|-------|
| Number of fire stations                | 21    |
| Number of staff                        | 739   |
| Number of vehicles                     | 172   |
| Number of fires attended to            | 6 659 |
| Number of special services attended to | 2 323 |

### Emergency Management and Control Centre:

|  |        |
|--|--------|
| Number of staff                            | 186    |
| Number of vehicles                         | 27     |
| Number of calls attended to annually       |        |
| Number of CCTVs installed                  | 61 406 |
| Number of Disaster (Incidents) attended to | 44     |
|  | 705    |

## OFFICE OF THE CITY MANAGER

### INFORMATION TECHNOLOGY

|   |           |
|---|-----------|
| Number of bills printed per month       | 900 000   |
| Number of payslips for staff            | 28 000    |
| Number of letters and notices           | 4 000     |
| Number of fines processed per month     | 70 000    |
| Number of online mainframe transactions | 1 300 000 |

### LEGAL SERVICES

|   |        |
|---|--------|
| Number of prosecutions                                    | 54 532 |
| Number of pages translated                                | 4 563  |
| Number of meetings where translation service was provided | 875    |

### INTERNAL AUDIT

|                |     |
|----------------|-----|
| General Audits | 172 |
| Systems Review | 24  |

### OMBUDSPERSON AND HEAD:INVESTIGATIONS

#### Investigative Services:

|                                 |     |
|---------------------------------|-----|
| Ombudsman Cases                 | 156 |
| Finalised Investigation Cases   | 420 |
| Finalised Ombudsman Cases       | 290 |
| Outstanding Investigation Cases | 670 |
| Outstanding Ombudsman Cases     | 434 |

### METRO POLICE

|                                       |           |
|---------------------------------------|-----------|
| Number of police stations             | 28        |
| Number of satellite stations          | 8         |
| Number of staff                       | 2 544     |
| Number of motor vehicles              | 855       |
| Number of motor bikes                 | 55        |
| Number of firearms                    | 2 875     |
| Number of fines prosecuted - annually | 1 028 882 |

## ECONOMIC DEVELOPMENT AND PLANNING

### BUSINESS SUPPORT AND MARKETS

#### Business Support:

|                               |        |
|-------------------------------|--------|
| Number of permit holders      | 42 300 |
| SMMEs showcasing at Main Fair | 900    |

|                                      |        |
|--------------------------------------|--------|
| Visitors to SMME Fairs               | 85 000 |
| Number of traders at container parks | 210    |

#### Retail Markets:

|                                     |     |
|-------------------------------------|-----|
| Number of Retail Markets Managed    | 16  |
| Number of Flea Markets Managed      | 3   |
| Number of traders at Central Market | 221 |

#### Durban National Fresh Produce Market (Bulk Markets):

|                                   |       |
|-----------------------------------|-------|
| Projected turnover (R'm)          | 1 647 |
| National market share (%)         | 10    |
| Number of buyers                  | 3 320 |
| Number of suppliers               | 2 000 |
| Number of Transactions (R'm)      | 1.33  |
| Ripening Rooms capacity (pallets) | 810   |
| Cold Rooms capacity (pallets)     | 800   |

### DURBAN TOURISM

#### Events:

|  |        |
|--|--------|
| Direct Financial Impact (R'm)                  | 620    |
| Number of part-time jobs created - days worked | 11 000 |
| Number of permanent jobs created               | 2 000  |
| Direct socio-economic impact (R'bn)            | 1.6    |
| Media Exposure value (R'm)                     | 220    |
| New Event Co-ordinators trained                | 5      |

#### Tourism :

|                                       |         |
|---------------------------------------|---------|
| Number of domestic visitors (million) | 3.5     |
| Number of International Visitors      | 300 000 |

Visitors to the Durban Tourism offices:

|           |         |
|-----------|---------|
| Walk -in  | 80 500  |
| Telephone | 215 000 |

Indaba :

|                               |       |
|-------------------------------|-------|
| Number of Exhibitors          | 5 000 |
| Number of visitors            | 7 500 |
| Socio - economic impact (R'm) | 92    |

**ECONOMIC DEVELOPMENT**

Sector Support:

|   |   |
|---|---|
| Number of Strategic Township Development Projects         | 9 |
| Number of Town Centre Renewal Projects                    | 7 |
| Number of Upgrade of Tourism Nodes and Corridors Projects | 5 |
| Number of Rural Developments                              | 2 |

Durban Film Office:

|                                 |     |
|---------------------------------|-----|
| Commercials                     | 28  |
| Feature Films                   | 69  |
| Documentaries                   | 14  |
| Stills                          | 29  |
| Music Videos                    | 19  |
| TV Series                       | 55  |
| Number of Development Workshops | 2   |
| Number of Workshop attendees    | 250 |
| Number of Filmmaker Supported   | 6   |
| Number of Interns Employed      | 2   |

**DURBAN INVESTMENT PROMOTION:**

|   |     |
|---|-----|
| Durban Investment Dashboard Value (R' bn)                 | 720 |
| Number of Foreign Direct Investors in facilitation        | 9   |
| Rand amount of Foreign Direct Investment Pipeline (R' m)  | 18  |
| Number of Existing Investors in facilitation              | 11  |
| Rand amount of Existing Investment Pipeline (R' m)        | 134 |
| Number of Bus. Retention & Expansion Action Teams         | 2   |
| Number of Dbn Inv Promo & Marketing events/missions, etc. | 17  |

## DEVELOPMENT PLANNING, ENVIRONMENT & MANAGEMENT

|  |         |
|--|---------|
| Number of building applications approved             | 3 524   |
| Number of building and land use contravention served | 17 004  |
| Number of summonses served                           | 1 197   |
| Number of signage applications received              | 513     |
| Number of unauthorised signs removed                 | 14 017  |
| Number of unauthorised trailers removed              | 6       |
| Estimated value of approved applications (R'bn)      | 12      |
| Number of building inspections carried out           | 118 640 |

## ENGINEERING AND TRANSPORT

### ENGINEERING

|  |       |
|--|-------|
| Length of surface roads and streets (km's)               | 6 900 |
| Length of maintained unsurfaced roads and streets (km's) | 1 815 |
| Number of Stormwater complaints attended to              | 4 381 |

### ETHEKWINI TRANSPORT AUTHORITY

|   |     |
|---|-----|
| Length of dedicated cycle lanes (Km's)                        | 5   |
| Number of traffic signals to be installed in the current year | 6   |
| Number of bus shelters  | 152 |
| Number of taxi ranks  | 69  |
| Number of new taxi ranks                                      | 1   |
| Number of bus ranks   | 11  |
| Number of Bus Stations  | 8   |

## TRADING SERVICES AND HUMAN SETTLEMENTS

### WATER

|                                 |         |
|---------------------------------|---------|
| Total length of pipelines (km)  | 14 286  |
| Number of Consumers             | 945 910 |
| Units purchased/purified (ml/d) | 915     |
| Storage Facilities              | 409     |
| Pump Stations                   | 133     |
| Purification Works              | 6       |

### SANITATION

|  |         |
|--|---------|
| Number of wastewater treatment works           | 28      |
| Number of Wastewater Pump Station              | 247     |
| Number of UD Toilets installed                 | 91 463  |
| Effluent flows into the Treatment Works (kl/d) | 468 000 |
| Total Length of Sewer Pipelines (km's)         | 8 468   |
| Number of Ablution Facilities                  | 1 528   |
| Number of VIP's                                | 26 045  |

## SOLID WASTE

|   |           |
|---|-----------|
| Number of depots                                    | 31        |
| Number of fleet workshop                            | 3         |
| Job creation through community based contractors    | 1 080     |
| Number of skips (business, permanent and casual)    | 2 292     |
| Number of landfill sites                            | 4         |
| Number of transfer stations                         | 7         |
| Number of garden refuse sites                       | 14        |
| Vehicle fleet complement                            | 634       |
| Number of recycling drop off centres                | 15        |
| Number of recycling buy-back centres                | 7         |
| Number of tons removed & disposed                   | 1 405 800 |
| Number of houses serviced                           | 1 038 040 |
| Number of refuse bags distributed (black) (million) | 103       |
| Street litter bags (million)                        | 6         |
| Orange bags - recycling (million)                   | 14        |

## ELECTRICITY

|   |         |
|---|---------|
| Number of customer base                   | 783 365 |
| Number of reticulation faults attended to | 230 000 |
| Number of FBE beneficiaries               | 164 857 |
| Number of major substations               | 145     |

## HUMAN SETTLEMENTS

|                                   |       |
|-----------------------------------|-------|
| Housing stock (Rental / Selling): | 90    |
| Hostels                           | 10    |
| Rental Stock                      | 6 530 |
| Rental Stock (Social Housing)     | 1 000 |
| New houses to be constructed      | 3 702 |

## CORPORATE HUMAN RESOURCES

### OCCUPATIONAL HEALTH

|                                |        |
|--------------------------------|--------|
| Number of Clinics              | 7      |
| IOD management at clinic       | 1 320  |
| Attendance at clinics          | 20 000 |
| Primary medical care           | 9 000  |
| Medical surveillance employees | 11 000 |
| Wellness                       | 7 500  |
| Sick leave management          | 1 200  |
| HIV Counselling                | 3 000  |
| Health Promotion               | 4 500  |

## SKILLS DEVELOPMENT UNIT

|  |        |
|--|--------|
| Training interventions on WSP          | 21 200 |
| Management Development Programmes      | 450    |
| Staff Adult Education and Training     | 120    |
| Community Adult Education and Training | 50     |

### Access to Occupational directed programmes

|  |       |
|--|-------|
|  | 390   |
| · In-service Trainee /Interns/Work Experience Learners | 1 000 |
| · 5 Learnerships Programmes                            |       |
| Early Childhood Development                            | 100   |
| Professional Driver                                    | 30    |
| Payroll Administrator                                  | 12    |
| Disaster Management                                    | 32    |
| Fire Fighters  | 50    |

## MANAGEMENT SERVICES

### Summary of Projects

|  |    |
|--|----|
| Productivity Interventions   | 42 |
| Business Process Re-engineering  | 16 |
| Wastage Elimination  | 1  |
| Undertake Organisational Development and change interventions                        | 4  |
| Improve and Monitor Productivity   | 3  |
| Organisational Transformation and Efficiency Projects including Institutional Review | 3  |
| Undertake office automation projects   | 26 |

## HUMAN RESOURCES UNIT

### Labour Relations:

|   |    |
|---|----|
| · No. of arbitration awards                           | 41 |
| · No. of Arbitration Matters referred to Labour Court | 3  |

### Recruitment Turnover

|                               |        |
|-------------------------------|--------|
| · Labour Turnover             | 376    |
| · Labour Turnover (TK09-TK25) | 174    |
| · No. of Appointments         | 897    |
| · EThekweni Employees         | 26 043 |
| · Disabled Employees          | 304    |

## GOVERNANCE

### CITY HALL

|  |       |
|--|-------|
| Number of City Hall bookings for the year    | 170   |
| Number of Printing jobs and duplicating jobs | 2 750 |
| Number of Council meetings                   | 13    |
| Number of Events and Special Programmes      | 7     |

### COMMUNITY PARTICIPATION

|   |         |
|---|---------|
| Number of soup kitchens                 | 110     |
| Number of indigent people fed per month | 825 000 |
| Number of grant-in-aid beneficiaries    | 175     |

### REGIONAL CENTRES

|  |           |
|--|-----------|
| Number of Customers Accessing One Stop Shops | 2 688 651 |
| Number of Buildings maintained               | 51        |

### COMMUNICATIONS

|  |           |
|--|-----------|
| Number of copies eZasagagasini printed and distributed fortnightly | 800 000   |
| Number of copies of the Workplace printed and distributed monthly  | 10 000    |
| Number of followers of Municipal Social Media                      | 500 000   |
| Number of Visitors to the Municipal website                        | 2 500 000 |

### INTERNATIONAL GOVERNANCE

|  |       |
|--|-------|
| Unit specific, special and adhoc events            | 25    |
| Sister City agreements through 45 active projects. | 80    |
| Inter-municipal co-operation projects              | 65    |
| Incoming international delegates                   | 1 800 |

## FINANCE

### REAL ESTATE

|   |         |
|---|---------|
| Number of leases/ tenancies administered (annually) | 4 312   |
| Value of leases/ tenancies (R'm)                    | 101     |
| Number of properties sold                           | 18      |
| Value of properties sold (R'm)                      | 4       |
| Number of properties on valuation roll              | 520 364 |
| Value of properties on valuation roll (R'bn)        | 569     |

### EXPENDITURE

|   |         |
|---|---------|
| Number of billed monthly customers                            | 856 574 |
| Average number of queries handled by counter staff in a month | 74 148  |
| Average revenue clearance certificates issued per month       | 2 734   |
| Average number of calls received per month - Call Centre      | 52 883  |
| Average number of correspondence received per month -letters  | 15 365  |

### CITY FLEET

|                               |    |
|-------------------------------|----|
| Average age of light vehicles | 12 |
| Number of City Fleet depots   | 7  |
| Vehicle availability (%)      | 90 |

|              |       |
|--------------|-------|
| Fleet Count: | 4 780 |
|--------------|-------|

|                |       |
|----------------|-------|
| Trucks         | 790   |
| Plants         | 301   |
| Light Vehicles | 3 573 |
| Trailers       | 116   |

### DURBAN TRANSPORT

#### Fleet Count:

|                        |     |
|------------------------|-----|
| Acqualine              | 495 |
| Mynah Bus              | 13  |
| People Mover Bus       | 22  |
| Airport Shuttle Bus    | 10  |
| Metro Police Bus       | 1   |
| Rikshaw Bus            | 4   |
| Bus Ticketing Muvo Van | 14  |
| Fire Bus               | 1   |
| Dial-a-Ride            | 12  |

|  |        |
|--|--------|
| Bus Availability (%)                   | 91     |
| Total Replacement Value of buses (R'm) | 2,6    |
| Number of depots                       | 4      |
| Number of kiosks                       | 30     |
| Approximate average trips per day      | 21 640 |

#### **SUPPLY CHAIN MANAGEMENT**

|   |     |
|---|-----|
| Total number of tenders awarded                                     | 835 |
| Value of tenders awarded (R'bn)                                     | 5   |
| Number of tenders awarded to PBE's                                  | 228 |
| Number of tenders awarded to BBE's                                  | 458 |
| Number of tenders awarded to WBE's                                  | 119 |
| Number of tenders awarded to unregistered companies/suppliers       | 73  |
| Value of tenders awarded to unregistered companies/ suppliers (R'm) | 157 |